



**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

ANNUAL FINANCIAL REPORT

June 30, 2016



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
436 1<sup>st</sup> Avenue W | PO Box 1072  
Albany, Oregon 97321 | (541) 223-5555

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

DISTRICT OFFICIALS

June 30, 2016

**BOARD OF DIRECTORS**

Kevin Parrish, Chair  
84614 Parkway Rd.  
Pleasant Hill, Oregon 97455

Wylde Cafferata, Vice-Chair  
82166 Lost Valley Ln.  
Dexter, Oregon 97431

Curt Offenbacher  
37160 Wallace Creek Rd.  
Springfield, Oregon 97478

John Oldham  
85133 Ridgeway Rd.  
Pleasant Hill, Oregon 97455

Barbara Orre  
36485 North Pole Ln.  
Pleasant Hill, Oregon 97455

**ADMINISTRATION**

Tony Scurto, Superintendent

Caroline Passerotti, Business Manager

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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## **FINANCIAL SECTION**



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Pleasant Hill School District No. 1  
Pleasant Hill, Oregon 97455

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Pleasant Hill School District No. 1, Pleasant Hill, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pleasant Hill School District No. 1, Pleasant Hill, Oregon as of June 30, 2016, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

During the year ended June 30, 2016, the District adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the District's proportionate share of the net pension liability and District contributions - pension, schedules of the District's early retirement liability and District contributions - early retirement, and the budgetary comparison information on pages 4 through 11, 46 through 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedules of the District's proportionate share of the net pension liability and District contributions - pension, schedules of the District's early retirement liability and District contributions - early retirement, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the aforementioned information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasant Hill School District No. 1's basic financial statements. The individual fund schedules, other financial schedules, and supplemental information required by state regulations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and other financial schedules 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental information required by the Oregon Department of Education has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 20, 2016 on our tests of the District's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

By:  \_\_\_\_\_  
Glen O. Kearns, CPA

Albany, Oregon  
December 20, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**INTRODUCTION**

As management of Pleasant Hill School District No. 1, Pleasant Hill, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2016, total net position of Pleasant Hill School District No. 1 amounted to \$5,314,873. Of this amount, \$5,197,755 was invested in capital assets, net of related debt. The remaining balance included \$263,826 restricted for debt service, \$1,419,093 restricted for bond projects, \$225,728 restricted for grant projects, and \$(1,791,529) of unrestricted net position.
- At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$4,563,590.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Pleasant Hill School District No. 1's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

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

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

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

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Both of the government-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include revenues and expenditures associated with the purchase, construction, and major repair of governmental capital assets.

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

**Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Pleasant Hill School District No. 1 are governmental funds.

**Governmental Funds**

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

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

The District maintains four 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, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major governmental funds.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Pleasant Hill School District No. 1 adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

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

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 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, which includes the schedules of the District's proportionate share of the net pension liability and District contributions - pension, the schedules of the District's early retirement liability and District contributions - early retirement, and the budgetary comparison information for the General and Special Revenue Funds. This required supplementary information can be found on pages 46 through 49 of this report.

Individual fund schedules can be found on pages 50 through 51 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2016, the District's assets exceeded liabilities by \$5,314,873.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth grade education.

Consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**District's Net Position**

The District's net position decreased by \$3,382,354 during the current fiscal year. The decrease is primarily due to an increase in program expenses.

Condensed statement of net position information is shown below.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets	\$ 2,593,945	\$ 21,893,572
Restricted assets	4,553,094	-
Net capital assets	<u>23,907,424</u>	<u>10,235,501</u>
Total assets	<u>31,054,463</u>	<u>32,129,073</u>
<b>Deferred outflows of resources</b>	<u>1,086,868</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities	3,283,985	1,728,006
Noncurrent liabilities	<u>22,556,177</u>	<u>19,290,681</u>
Total liabilities	<u>25,840,162</u>	<u>21,018,687</u>
<b>Deferred inflows of resources</b>	<u>986,296</u>	<u>2,413,159</u>
<b>Net position</b>		
Net investment in capital assets	5,197,755	7,047,587
Restricted for various purposes	1,908,647	16,897,157
Unrestricted	<u>(1,791,529)</u>	<u>(15,247,517)</u>
Total net position	<u>\$ 5,314,873</u>	<u>\$ 8,697,227</u>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**District's Changes in Net Position**

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

**Condensed Changes in Net Position**

	<b>Governmental Activities</b>	
	<u>2016</u>	<u>2015</u>
<b>Program revenues</b>		
Regular programs	\$ 915,079	\$ 796,995
Support services	-	319,662
Food services	284,778	268,815
Total program revenues	<u>1,199,857</u>	<u>1,385,472</u>
<b>General revenues</b>		
Property taxes - general	2,562,355	2,481,985
Property taxes - debt service	1,119,384	915,747
State school fund - general support	6,046,404	5,488,962
Common school fund	134,252	99,442
Federal forest fees	47,697	48,222
Investment earnings	94,290	70,469
Unrestricted grants and contributions	67,021	66,485
Miscellaneous	20,428	5,945
Sale of assets	1,038	3,369
Total general revenues	<u>10,092,869</u>	<u>9,180,626</u>
Total revenues	<u>11,292,726</u>	<u>10,566,098</u>
<b>Program expenses</b>		
Regular programs	8,093,709	4,654,838
Support services	4,731,396	2,976,176
Food services	348,971	250,522
Enterprise and community services	17,083	24,662
Facilities acquisition and construction	679,953	-
Unallocated depreciation expense	447,975	402,421
Interest on long-term debt	355,993	33,100
Total program expenses	<u>14,675,080</u>	<u>8,341,719</u>
<b>Change in net position</b>	(3,382,354)	2,224,379
<b>Net position - beginning, as restated</b>	<u>8,697,227</u>	<u>6,472,848</u>
<b>Net position - end of year</b>	<u>\$ 5,314,873</u>	<u>\$ 8,697,227</u>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Revenues**

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 89% of the funding required for governmental programs. Property taxes and state school funding combined for 96% of general revenues and 86% of total revenues.

Charges for services make up less than 5% of total revenues and are composed of the following items for which it is appropriate that the District charge tuition or fees:

• Various educational activities	\$ 447,493
• Food services charges for lunch and breakfast	<u>95,837</u>
Total charges for services	<u><u>\$ 543,330</u></u>

Operating grants and contributions represent less than 6% of total revenues. This category includes \$467,586 to support various educational activities and \$188,941 to support food service operations.

**Expenses**

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 55% of the total expenses of \$14,675,090. In addition, approximately 37% of the costs in supporting services relate to students, instructional staff, and school administration.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

**Governmental Funds**

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

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$4,563,590.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$1,756,462. This total fund balance amount constitutes unassigned fund balance, which is available for spending at the District's discretion.

**BUDGETARY HIGHLIGHTS**

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$23,907,424, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and equipment and vehicles. The total depreciation related to the District's investment in capital assets for the current fiscal year amounted to \$447,975.

Additional information on the District's capital assets can be found in Note II-C on pages 30 through 31 of this report.

**Long-Term Liabilities**

At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$18,709,669. This amount comprises two 2014 series general obligation bonds with a related issuance premium. The District's total long-term liabilities decreased by \$781,187 during the current fiscal year.

Additional information on the District's long-term liabilities can be found in Note II-G on pages 32 through 34 of this report.

**KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE**

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

- Resources supporting the District's General Fund operations primarily reflect State and local revenues, with additional income from federal, county, and other sources. The largest segment, which includes State funding and local property taxes, is determined under the State School Fund formula and based on the level of funding approved by the State Legislature as well as the District's student enrollment or average daily membership. State revenues are also expected to increase as a result of higher student enrollment.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- The District Board adopted the District's 2016-17 budget on June 20, 2016. The General Fund budget totals \$10.9 million, up \$536,000 or 5% from the previous year. Higher resources represent a \$273,000 increase in revenues, mostly from State funding, and a \$263,000 increase in the beginning fund balance. State funding will be slightly higher than in 2015-16 because the State legislature allocated 50.8% of the State School Fund appropriation for the second year of the 2015-17 biennium.
- The increase in General Fund resources was used to support slight increases in service levels, staff compensation, and reserves. The 2016-17 Capital Projects Fund budget provides for completion of facility projects funded from general obligation bonds.

The unassigned ending General Fund balance of \$1,756,462 will be available for program resources in fiscal year 2016-2017.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to: Business Manager, Pleasant Hill School District No. 1, 36386 Highway 58, Pleasant Hill, Oregon 97455.

## **BASIC FINANCIAL STATEMENTS**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 2,190,191
Cash with agent	4,074
Accounts receivable	185,439
Property taxes receivable	205,621
Inventory	8,620
Total current assets	2,593,945
Restricted assets	4,553,094
Capital assets not being depreciated	13,876,625
Capital assets being depreciated, net	10,030,799
Total assets	31,054,463
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,086,868
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	1,802,566
Payroll liabilities	499,229
Deposits payable	7,000
Compensated absences	16,749
Accrued interest	11,197
Bonds payable, current portion	947,244
Total current liabilities	3,283,985
Noncurrent liabilities	
Net pension liability	4,357,876
Early retirement payable	435,876
Bonds payable, less current portion	17,762,425
Total liabilities	25,840,162
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Changes in proportion and contributions - PERS	973,726
Changes in proportion and contributions - early retirement	12,570
Total deferred inflows of resources	986,296
<b>NET POSITION (DEFICIT)</b>	
Net investment in capital assets	5,197,755
Restricted for various purposes	1,908,647
Unrestricted	(1,791,529)
Total net position	\$ 5,314,873

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

**PLEASANT HILL SCHOOL DISTRICT NO. 1**

**Pleasant Hill, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
				<u>Services</u>
			<u>Contributions</u>	<u>Changes in</u>
				<u>Net Positon</u>
				<u>Primary</u>
				<u>Government</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities				
Instruction				
Regular programs	\$ 6,804,398	\$ 447,493	\$ 464,486	\$ (5,892,419)
Special programs	1,289,311	-	3,100	(1,286,211)
Support services				
Student support services	486,733	-	-	(486,733)
Instructional staff support	430,609	-	-	(430,609)
General administrative support	242,395	-	-	(242,395)
School administrative support	834,314	-	-	(834,314)
Business support services	2,262,909	-	-	(2,262,909)
Central activities support	397,626	-	-	(397,626)
Supplemental retirement program	76,810	-	-	(76,810)
Food services	348,971	95,837	188,941	(64,193)
Enterprise and community services	17,083	-	-	(17,083)
Facilities acquisition and construction	679,953	-	-	(679,953)
Unallocated depreciation expense	447,975	-	-	(447,975)
Interest on long-term debt	355,993	-	-	(355,993)
Total governmental activities	<u>\$ 14,675,080</u>	<u>\$ 543,330</u>	<u>\$ 656,527</u>	<u>(13,475,223)</u>
General revenues				
Property taxes - general				2,562,355
Property taxes - debt service				1,119,384
State school fund - general support				6,046,404
Common school fund				134,252
Federal forest fees				47,697
Investment earnings				94,290
Unrestricted grants and contributions				67,021
Miscellaneous				20,428
Sale of assets				1,038
Total general revenues				<u>10,092,869</u>
Change in net position				(3,382,354)
Net position - beginning, as restated				<u>8,697,227</u>
Net position - ending				<u>\$ 5,314,873</u>

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

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 2,190,191	\$ 1,096,407	\$ 258,560	\$ 3,114,801	\$ 6,659,959
Cash with agent	4,074	-	1,619	-	5,693
Accounts receivable	82,480	97,443	43	5,473	185,439
Property taxes receivable	205,621	-	81,707	-	287,328
Inventory	-	8,620	-	-	8,620
	-	8,620	-	-	8,620
Total assets	\$ 2,482,366	\$ 1,202,470	\$ 341,929	\$ 3,120,274	\$ 7,147,039
<b>LIABILITIES</b>					
Accounts payable	\$ 30,124	\$ 71,261	\$ -	\$ 1,701,181	\$ 1,802,566
Payroll liabilities	499,229	-	-	-	499,229
Deposits payable	-	7,000	-	-	7,000
	-	7,000	-	-	7,000
Total liabilities	529,353	78,261	-	1,701,181	2,308,795
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	196,551	-	78,103	-	274,654
	196,551	-	78,103	-	274,654
<b>FUND BALANCES</b>					
Nonspendable	-	8,620	-	-	8,620
Restricted	-	225,728	263,826	1,419,093	1,908,647
Committed	-	856,633	-	-	856,633
Assigned	-	33,228	-	-	33,228
Unassigned	1,756,462	-	-	-	1,756,462
	1,756,462	-	-	-	1,756,462
Total fund balances	1,756,462	1,124,209	263,826	1,419,093	4,563,590
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,482,366	\$ 1,202,470	\$ 341,929	\$ 3,120,274	\$ 7,147,039

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

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

June 30, 2016

<b>Total fund balances</b>		\$ 4,563,590
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	29,886,554	
Accumulated depreciation	<u>(5,979,130)</u>	23,907,424
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		274,654
Amounts relating to the District's proportionate share of the net pension liability for the Oregon Public Employees Retirement System (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension is expensed when due. The amounts consist of:		
Deferred outflows of resources related to pension expense	1,086,868	
Deferred inflows of resources related to the return on pension assets	(973,726)	
Deferred inflows of resources related to early retirement	(12,570)	
Net pension liability	<u>(4,357,876)</u>	(4,257,304)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences	(16,749)	
Accrued interest	(11,197)	
Early retirement payable	(435,876)	
Bonds payable, net of related premium	<u>(18,709,669)</u>	<u>(19,173,491)</u>
<b>Net position of governmental activities</b>		<u>\$ 5,314,873</u>

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

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local revenue	\$ 2,752,597	\$ 491,638	\$ 1,045,679	\$ 65,661	\$ 4,355,575
Intermediate revenue	7,530	3,355	-	-	10,885
State revenue	6,284,153	6,439	-	-	6,290,592
Federal revenue	<u>47,697</u>	<u>566,916</u>	<u>-</u>	<u>-</u>	<u>614,613</u>
 Total revenues	 <u>9,091,977</u>	 <u>1,068,348</u>	 <u>1,045,679</u>	 <u>65,661</u>	 <u>11,271,665</u>
<b>EXPENDITURES</b>					
Current					
Instruction	5,067,708	632,170	-	-	5,699,878
Support services	3,472,567	180,385	-	144,736	3,797,688
Enterprise and community services	-	301,688	-	-	301,688
Facilities acquisition and construction	-	-	-	14,804,774	14,804,774
Debt service	<u>-</u>	<u>-</u>	<u>1,142,097</u>	<u>-</u>	<u>1,142,097</u>
 Total expenditures	 <u>8,540,275</u>	 <u>1,114,243</u>	 <u>1,142,097</u>	 <u>14,949,510</u>	 <u>25,746,125</u>
Excess (deficiency) of revenues over (under) expenditures	 <u>551,702</u>	 <u>(45,895)</u>	 <u>(96,418)</u>	 <u>(14,883,849)</u>	 <u>(14,474,460)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of assets	-	1,038	-	-	1,038
Transfers in	-	433,000	-	-	433,000
Transfers out	<u>(433,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(433,000)</u>
 Total other financing sources (uses)	 <u>(433,000)</u>	 <u>434,038</u>	 <u>-</u>	 <u>-</u>	 <u>1,038</u>
 Net change in fund balances	 118,702	 388,143	 (96,418)	 (14,883,849)	 (14,473,422)
Fund balances - beginning, as restated	<u>1,637,760</u>	<u>736,066</u>	<u>360,244</u>	<u>16,302,942</u>	<u>19,037,012</u>
Fund balances - ending	<u>\$ 1,756,462</u>	<u>\$ 1,124,209</u>	<u>\$ 263,826</u>	<u>\$ 1,419,093</u>	<u>\$ 4,563,590</u>

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

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

For the Year Ended June 30, 2016

<b>Net change in fund balances</b>		\$ (14,473,422)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for capital assets	14,124,821	
Dispositions of capital assets, net	(4,923)	
Depreciation expense recorded in the current year	<u>(447,975)</u>	13,671,923
<p>Pension and early retirement expenses or credits that do not meet the measurable and available criteria are not recognized as revenue or expense in the current year in governmental funds. In the statement of activities, pension and early retirement expenses or credits are recognized when determined to have been accrued.</p>		
Early retirement expense	(12,570)	
Pension expense	<u>(3,490,828)</u>	(3,503,398)
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Debt principal paid	<u>750,000</u>	750,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.</p>		
Change in accrued interest	4,917	
Change in compensated absences	2,467	
Change in early retirement	113,949	
Bond premium amortization	<u>31,187</u>	152,520
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied.</p>		
		<u>20,023</u>
<b>Change in net position</b>		<u>\$ (3,382,354)</u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

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

**B. Reporting Entity**

Pleasant Hill School District No. 1 functions as a local education agency, serving students in grades kindergarten through 12. The District is governed by a five-member board of directors. The daily functioning is under the supervision of the Superintendent.

**C. Basis of Presentation - Government-Wide Financial Statements**

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

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

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds, if any, are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

Special Revenue Fund - The Special Revenue Fund is used to account for revenues and expenditures of federal, state, local, and private grants, as well as Board-designated reserves, restricted for specific educational projects. The primary source of revenue is federal grants. The primary use of revenue is to fund special programs.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

Capital Projects Fund - The Capital Projects Fund accounts for the accumulation of resources to be used for equipment, building, and other capital needs. The primary source of revenue is general obligation bond financing obtained by the District.

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

**E. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

**F. Budgetary Information**

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

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, community services, debt service, capital outlay, operating contingencies, and interfund transfers for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation. Investments are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operated in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported as the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

**3. Restricted Assets**

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

**4. Accounts Receivable**

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

**5. Supply Inventory**

Supply inventory is valued as cost using the first-in, first-out method. Inventory is accounted for using the purchases method for fund statements and using the consumption method for the statement of net position. Any donated inventory is valued at estimated fair market value. Purchased inventory is charged as an expenditure when purchased.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**6. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets are computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment and vehicles	5-20
Buildings and improvements	7-50

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time.

The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**8. Net Position Flow Assumption**

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

**9. Fund Balance Flow Assumption**

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

**10. Fund Balance Policies**

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

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

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

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

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

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that District intends to use for a specific purpose. Intent can be expressed by the school board or by an official or body to which the school board delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

**H. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**2. Property Taxes**

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

**3. Compensated Absences**

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 47, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**4. Pensions**

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

**5. Early Retirement**

The District's early retirement program covers licensed personnel hired prior to September 1, 1999. To qualify for the plan, licensed staff must have reached age 55 or have 30 years of continuous service within the Oregon school system, serving the most recent 10 years within the District. Qualifying employees receive a monthly stipend of up to \$625, which may be applied to insurance at the retiree's discretion. The monthly stipend terminates once the retiree reaches age 65 or qualifies for Federal Medicare coverage, whichever occurs first.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**I. Use of Estimates**

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

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

Pleasant Hill School District No. 1 maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

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

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has adopted an investment policy that does not require diversification of investments.

Investments

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

	<u>Credit Quality</u> <u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	\$ 6,447,801
Certificate of Deposit	Unrated	8/30/16	10,149
Certificate of Deposit	Unrated	3/19/17	10,000
Certificate of Deposit	Unrated	3/05/17	<u>45,000</u>
Total investments			<u>\$ 6,512,950</u>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Interest Rate Risk

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

Concentration of Credit Risk – Investments

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

Custodial Credit Risk – Investments

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

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at Banner Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2016, \$250,000 of the District's deposits were insured by the FDIC, and \$183,013 were collateralized under the Public Funds Collateralization Program.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Deposits

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

Checking accounts	\$ 145,098
Savings accounts	1,911
Total investments	6,512,950
Total deposits and investments	\$ 6,659,959

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,190,191
Governmental activities - restricted	
Special Revenue Fund	1,096,407
Debt Service Fund	258,560
Capital Projects Fund	3,114,801
Total governmental activities - restricted	4,469,768
Total cash and investments	\$ 6,659,959

**B. Restricted Assets**

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

Restricted assets	
Governmental activities	
Cash and investments	\$ 4,469,768
Cash with agent	1,619
Property taxes receivable	81,707
Total restricted assets	\$ 4,553,094

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**C. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 70,934	\$ -	\$ -	\$ 70,934
Construction in progress	<u>2,254,826</u>	<u>11,550,865</u>	<u>-</u>	<u>13,805,691</u>
Total capital assets not being depreciated	<u>2,325,760</u>	<u>11,550,865</u>	<u>-</u>	<u>13,876,625</u>
Capital assets being depreciated				
Buildings and improvements	13,362,383	2,573,956	(316,000)	15,620,339
Equipment and vehicles	<u>423,100</u>	<u>-</u>	<u>(33,510)</u>	<u>389,590</u>
Total capital assets being depreciated	<u>13,785,483</u>	<u>2,573,956</u>	<u>(349,510)</u>	<u>16,009,929</u>
Less accumulated depreciation for				
Buildings and improvements	(5,536,379)	(437,997)	316,000	(5,658,376)
Equipment and vehicles	<u>(339,363)</u>	<u>(9,978)</u>	<u>28,587</u>	<u>(320,754)</u>
Total accumulated depreciation	<u>(5,875,742)</u>	<u>(447,975)</u>	<u>344,587</u>	<u>(5,979,130)</u>
Total capital assets being depreciated, net	<u>7,909,741</u>	<u>2,125,981</u>	<u>(4,923)</u>	<u>10,030,799</u>
Governmental activities capital assets, net	<u>\$ 10,235,501</u>	<u>\$ 13,676,846</u>	<u>\$ (4,923)</u>	<u>\$ 23,907,424</u>

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 70,934	\$ -	\$ 70,934
Construction in progress	13,805,691	-	13,805,691
Buildings and improvements	15,620,339	(5,658,376)	9,961,963
Equipment and vehicles	<u>389,590</u>	<u>(320,754)</u>	<u>68,836</u>
Total governmental capital assets	<u>\$ 29,886,554</u>	<u>\$ (5,979,130)</u>	<u>\$ 23,907,424</u>

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

Governmental activities	
Unallocated depreciation expense	\$ <u>447,975</u>

**D. Interfund Transfers**

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

	Transfers in:
	Special Revenue
	Fund
Transfers out:	
General Fund	\$ <u>433,000</u>

Transfers were made primarily to fund equipment upgrades and facility maintenance, to fund special purpose reserves, and to build PERS reserves.

**E. Accounts Payable**

At June 30, 2016, the District had accounts payable totaling \$1,802,566, which consisted of \$1,732,665 due to vendors and \$69,901 related to IDEA reimbursements.

**F. Compensated Absences**

The following is a summary of compensated absences for the year ending June 30, 2016:

	Restated Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ <u>19,216</u>	\$ <u>-</u>	\$ <u>(2,467)</u>	\$ <u>16,749</u>

The General Fund has traditionally been used to liquidate the liability related to compensated absences.

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**G. Long-Term Liabilities**

**1. Changes in Long-Term Liabilities**

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

	Interest Rates	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
2012 GO Refunding	2.00%	\$ 2,455,000	\$ 750,000	\$ -	\$ 750,000	\$ -	\$ -
2014A GO Bond	3.00-4.125%	7,765,000	7,765,000	-	-	7,765,000	-
2014B GO Bond	0.75-3.94%	<u>10,185,259</u>	<u>10,185,259</u>	-	-	<u>10,185,259</u>	<u>947,244</u>
Subtotal bonds		<u>20,405,259</u>	<u>18,700,259</u>	-	<u>750,000</u>	<u>17,950,259</u>	<u>947,244</u>
2012 GO Premium		93,561	31,187	-	31,187	-	-
2014 GO Premium		<u>759,410</u>	<u>759,410</u>	-	-	<u>759,410</u>	-
Total bond premiums		<u>852,971</u>	<u>790,597</u>	-	<u>31,187</u>	<u>759,410</u>	-
Total governmental activities		<u>\$ 21,258,230</u>	<u>\$ 19,490,856</u>	<u>\$ -</u>	<u>\$ 781,187</u>	<u>\$ 18,709,669</u>	<u>\$ 947,244</u>

The Debt Service Fund has traditionally been used to liquidate the above long-term liabilities.

**2. General Obligation Refunding Bonds, Series 2012**

On October 10, 2012, the District issued general obligation refunding bonds of \$2,455,000 with a premium of \$93,561, to obtain a benefit of savings in total debt service requirements. \$2,430,000 and \$165,000 of the previously outstanding series 2002 general obligation bonds were refunded and defeased, respectively. The remaining \$750,000 and the related premium were fully liquidated as of June 30, 2016.

**3. General Obligation Bonds, Series 2014A and 2014B**

On December 22, 2014, the District issued general obligation bonds, series 2014A and 2014B, of \$7,765,000 and \$10,185,260, respectively, with a related premium of \$759,410. Fixed interest rates for the series 2014A and 2014B bonds range from 3.00 - 4.125% and 0.75 - 3.94%, respectively. Interest is due semiannually on June 15 and December 15. For the series 2014A bonds, principal is due beginning June 15, 2020.

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**4. Future Maturities of Long-Term Liabilities**

The schedule below does not include amortization of bond premiums as listed above.

Year Ending June 30	2014A GO Bonds		2014B GO Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ 254,706	\$ 947,244	\$ 17,756	\$ 947,244	\$ 272,462
2018	-	254,706	968,689	36,311	968,689	291,017
2019	-	254,706	986,370	63,630	986,370	318,336
2020	1,105,000	254,706	-	-	1,105,000	254,706
2021	1,180,000	221,556	-	-	1,180,000	221,556
2022-2026	5,480,000	554,164	1,155,781	469,219	6,635,781	1,023,383
2027-2031	-	-	4,785,375	2,844,625	4,785,375	2,844,625
2032-2035	-	-	1,341,800	1,398,200	1,341,800	1,398,200
Total	<u>\$ 7,765,000</u>	<u>\$ 1,794,544</u>	<u>\$ 10,185,259</u>	<u>\$ 4,829,741</u>	<u>\$ 17,950,259</u>	<u>\$ 6,624,285</u>

**5. General Obligation Debt Capacity**

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

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

Real Market Value (Fiscal Year 2015) <sup>(1)</sup>	\$	818,116,743
General Obligation Debt Capacity (7.95% of Real Market Value)	\$	65,040,281
Less: Outstanding Debt Subject to Limit		<u>(17,950,259) <sup>(2)</sup></u>
Remaining General Obligation Debt Capacity	\$	47,090,022
Percent of Capacity Issued		27.60%

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

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

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**6. Interest Expense**

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

Governmental activities	
Interest on long-term debt	<u>\$ 355,993</u>

**H. Constraints on Fund Balances**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Fund balances:					
Nonspendable - inventory	\$ -	\$ 8,620	\$ -	\$ -	\$ 8,620
Restricted for:					
Enrichment activities	-	12,464	-	-	12,464
Student activities	-	153,785	-	-	153,785
Nutrition services	-	48,085	-	-	48,085
Scholarship programs	-	10,149	-	-	10,149
Music programs	-	612	-	-	612
Grant programs	-	633	-	-	633
Debt service	-	-	263,826	-	263,826
Bond projects	-	-	-	1,419,093	1,419,093
Committed to:					
Insurance/benefit reserve	-	324,830	-	-	324,830
K-12 enrichment	-	11,665	-	-	11,665
Equipment replacement	-	32,015	-	-	32,015
Maintenance reserve	-	234,479	-	-	234,479
Technology reserve	-	143,795	-	-	143,795
Instructional materials reserve	-	74,616	-	-	74,616
Fiels repair and replacement	-	35,233	-	-	35,233
Assigned to:					
Japanese exchange program	-	27,080	-	-	27,080
Early learning program	-	6,148	-	-	6,148
Unassigned	<u>1,756,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,756,462</u>
Total fund balances	<u>\$ 1,756,462</u>	<u>\$ 1,124,209</u>	<u>\$ 263,826</u>	<u>\$ 1,419,093</u>	<u>\$ 4,563,590</u>

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**III. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

*General Information about the Pension Plan*

Name of Pension Plan

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

Description of Benefit Terms

*Plan Benefits – PERS Pension (Chapter 238)*

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

*PERS Pension*

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

*Pension Benefits*

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

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*Death Benefits*

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

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

*Disability Benefits*

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

*Benefit Changes after Retirement*

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

*Pension Benefits*

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

This portion of OPSRP provides a life pension funded by employer contributions.

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Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

*Death Benefits*

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

*Disability Benefits*

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

*Benefit Changes After Retirement*

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

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

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Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2016 were \$820,109.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	Market Value of Assets

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<i>Actuarial Assumptions:</i>	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

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

Discount Rate

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

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

At June 30, 2016, the District reported a liability of \$4,357,876 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015 the District's proportion was 0.07590186%.

For the year ended June 30, 2016, the District recognized pension expense of \$4,284,596. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 234,999	\$ -
Net difference between projected and actual earnings on investments	-	913,510
Changes in proportionate share	46,375	-
Differences between employer contributions and employer's proportionate share of system contributions	-	60,216
Total (prior to post-MD contributions)	281,374	973,726
Contributions subsequent to the MD	805,494	-
Total (subsequent to post-MD contributions)	\$ 1,086,868	\$ 973,726

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

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2017	\$ (387,473)
2018	(387,473)
2019	(387,473)
2020	446,598
2021	23,469
Total	\$ (692,352)

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

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

District's proportionate share of the net pension liability (asset):

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$ 10,517,571	\$ 4,357,876	\$ (833,129)

*Plan Changes Reflected*

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

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the PERS system. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability.

The increase in the Total Pension Liability resulting from the *Moro* decision was measured at June 30, 2015. To reflect the *Moro* decision, the blended COLA based on creditable service before and after the effective dates of the legislation was estimated. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

*Changes Subsequent to the Measurement Date*

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occur after that date are reflected in amounts reported for the subsequent Measurement Date.

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However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

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

**C. Early Retirement Program**

*General Information about the Program*

Program Description

The District's early retirement program provides monthly benefits to certain eligible licensed retirees. Retirees may choose to receive their benefits in the form of subsidized healthcare benefits or a monthly stipend. The early retirement program is valued as a pension plan as defined in GASB Statement No. 73, since any given retiree will receive the same monthly benefit regardless of their choice to continue coverage under the District's health plan.

Funding

The District's early retirement program is unfunded as defined by GASB. Contributions to the plan have been determined on a pay-as-you-go basis.

Employee and Financial Data

The District's early retirement program is closed to new entrants. The District has 11 active employees who are still eligible for benefits and 14 retirees currently collecting benefits. No other future employees will be eligible for benefits under the plan.

Eligibility

The program covers licensed personnel hired prior to September 1, 1999 and was established under separate bargaining agreements. To qualify, licensed staff must have reached age 55 or have 30 years of service within the Oregon school system, serving the most recent 10 years within the District. No more than seven employees may retire per fiscal year (preference given by seniority). Qualifying employees receive a monthly stipend of up to \$625, which may be applied to insurance at the retiree's discretion. The monthly stipend terminates once the retiree reaches age 65 or qualifies for Federal Medicare coverage, whichever occurs first.

If the surviving spouse was participating in the insurance option at the time of the retiree's death, the health insurance subsidy continues to the spouse until the retiree would have

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reached age 65 or until the spouse becomes eligible for Medicare, or the spouse may choose to receive the benefit as a stipend.

Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Interest Discount	3.2%
Inflation Rate	2.5%
Projected Salary Increase	2%
Insurance Trends	<p>Medical premiums increase by 8% in 2017/2018, then 0.5% less each subsequent year until they are increasing at 5% per year.</p> <p>Dental premiums increase by 2% in 2017/2018, then 0.5% more each subsequent year until they are increasing at 3% per year.</p> <p>Vision premiums increase by 4% in 2017/2018, then 0.5% less each subsequent year until they are increasing at 5% per year.</p> <p>All insurance trends include the assumed general inflation rate of 2.5%.</p>
Demographic Assumptions	<p>Mortality and withdrawal rates are generally intended to match those selected by the Oregon PERS actuary to value benefits for Oregon PERS school district employees.</p>
Retirement Rates	<p>Retirement rates are based on the District's experience from 2010-2016. Rates are generally higher than those used in the Oregon PERS December 31, 2014 report in order to reflect the high popularity of the District's early retirement program.</p>
Mortality Rates	<p>Active employees mortality is assumed to be 60% (males) or 55% (females) of the retiree mortality rates.</p>

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Actuarial Valuation Change

The District elected to use the Entry Age Normal (EAN) Level Percent of Pay method for calculating the total pension liability in accordance with accepted actuarial principles. The actuarial cost method has changed since the prior valuation where the EAN Level Dollar method was used. This change was made in order to comply with GASB Statement No. 73.

*Program Liabilities, Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources*

At June 30, 2016, the District reported a liability of \$435,876 for its unfunded early retirement liability. The District recognized early retirement expense of \$112,097 during the current fiscal year. The following schedule represents the changes made to the early retirement liability during the June 30, 2016 fiscal year:

	Total Early Retirement Liability
July 1, 2015 - Beginning, as restated	\$ 549,825
Benefit Payments	(112,097)
Service Cost	2,785
Total Pension Liability Interest	15,789
Assumptions Change	(16,655)
Experience (Gain)/Loss	(3,771)
June 30, 2016 - End of Year	\$ 435,876

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to early retirement from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumptions change (gain)/loss	\$ -	\$ 10,249
Experience change (gain)/loss	-	2,321
Total	\$ -	\$ 12,570

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to early retirement will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2017	\$ (7,856)
2018	(7,856)
2019	(4,714)
Total	\$ (20,426)

**D. Restatement of Previously Issued Financial Statements**

Beginning net position of the District was restated as follows:

	Governmental Activities
Net position - beginning, as originally reported	\$ 9,303,489
Adjustment to record omitted compensated absences	(19,216)
Adjustment to record omitted accrued interest	(14,754)
Adjustment to correct accrued payroll	(36,445)
Adjustment for GASB 73 implementation	(535,847)
Net position - beginning, as restated	\$ 8,697,227

Beginning fund balance of the District was restated as follows:

	General Fund
Fund balance - beginning, as originally reported	\$ 1,674,205
Adjustment to correct accrued payroll	(36,445)
Fund balance - beginning, as restated	\$ 1,637,760

**E. Subsequent Events**

Management has evaluated subsequent events through December 20, 2016, which was the date that the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

**OREGON PERS SYSTEM**

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

	2016	2015
District's proportion of the net pension liability (asset)	0.07590186%	0.07320080%
District's proportionate share of the net pension liability (asset)	\$ 4,357,876	\$ (1,659,253)
District's covered-employee payroll	\$ 3,697,042	\$ 4,797,998
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	118%	-36%
Plan fiduciary net position as a percentage of the total pension liability	92%	104%

**Schedule of District Contributions - Pension**

	2016	2015
Contractually required contribution	\$ 820,109	\$ 835,839
Contributions in relation to the contractually required contribution	(820,109)	(835,839)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,050,515	\$ 4,597,998
Contributions as a percentage of covered-employee payroll	20%	18%

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULES OF THE DISTRICT'S EARLY RETIREMENT  
LIABILITY AND DISTRICT CONTRIBUTIONS

**EARLY RETIREMENT**

**Schedule of the District's Early Retirement Liability**

	2016
District's early retirement liability (asset)	\$ 435,876
District's covered-employee payroll	\$ 689,810
District's early retirement liability (asset) as a percentage of its covered-employee payroll	63%

**Schedule of District Contributions - Early Retirement**

	2016
Contractually required contribution	\$ 112,097
Contributions in relation to the contractually required contribution	(112,097)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 689,810
Contributions as a percentage of covered-employee payroll	16%

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 2,725,250	\$ 27,347	\$ 2,752,597
Intermediate revenue	18,000	(10,470)	7,530
State revenue	6,079,357	204,796	6,284,153
Federal revenue	-	47,697	47,697
	8,822,607	269,370	9,091,977
<b>EXPENDITURES</b>			
Current			
Instruction	5,279,065	(211,357)	5,067,708
Support services	3,500,661	(28,094)	3,472,567
Contingency	175,141	(175,141)	-
	8,954,867	(414,592)	8,540,275
Excess (deficiency) of revenues over (under) expenditures	(132,260)	683,962	551,702
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,000	1,000	-
Transfers out	(438,000)	(5,000)	(433,000)
	(437,000)	(4,000)	(433,000)
Net change in fund balance	(569,260)	687,962	118,702
Fund balance - beginning, as restated	1,531,428	106,332	1,637,760
Fund balance - ending	\$ 962,168	\$ 794,294	\$ 1,756,462

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

SPECIAL REVENUE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 595,800	\$ (104,162)	\$ 491,638
Intermediate revenue	40,000	(36,645)	3,355
State revenue	43,800	(37,361)	6,439
Federal revenue	811,600	(244,684)	566,916
Total revenues	1,491,200	(422,852)	1,068,348
<b>EXPENDITURES</b>			
Current			
Instruction	1,209,841	(577,671)	632,170
Support services	1,040,803	(860,418)	180,385
Enterprise and community services	395,656	(93,968)	301,688
Total expenditures	2,646,300	(1,532,057)	1,114,243
Excess (deficiency) of revenues over (under) expenditures	(1,155,100)	1,109,205	(45,895)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	-	1,038	1,038
Transfers in	438,000	(5,000)	433,000
Transfers out	(1,000)	1,000	-
Total other financing sources (uses)	437,000	(2,962)	434,038
Net change in fund balance	(718,100)	1,106,243	388,143
Fund balance - beginning	718,100	17,966	736,066
Fund balance - ending	\$ -	\$ 1,124,209	\$ 1,124,209

**OTHER SUPPLEMENTARY INFORMATION**

**INDIVIDUAL FUND SCHEDULES**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 1,059,574	\$ (13,895)	\$ 1,045,679
<b>EXPENDITURES</b>			
Debt service	1,152,107	(10,010)	1,142,097
Excess (deficiency) of revenues over (under) expenditures	(92,533)	(3,885)	(96,418)
Fund balance - beginning	372,600	(12,356)	360,244
Fund balance - ending	\$ 280,067	\$ (16,241)	\$ 263,826

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>				
Local revenue	\$ 30,000	\$ 30,000	\$ 35,661	\$ 65,661
<b>EXPENDITURES</b>				
Current				
Instruction	10,395	20,395	(20,395)	-
Support services	179,268	169,268	(24,532)	144,736
Facilities acquisition and construction	17,627,601	17,627,601	(2,822,827)	14,804,774
Total expenditures	17,817,264	17,817,264	(2,867,754)	14,949,510
Excess (deficiency) of revenues over (under) expenditures	(17,787,264)	(17,787,264)	2,903,415	(14,883,849)
Fund balance - beginning	17,787,264	17,787,264	(1,484,322)	16,302,942
Fund balance - ending	\$ -	\$ -	\$ 1,419,093	\$ 1,419,093

## **OTHER FINANCIAL SCHEDULES**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

REVENUE SUMMARY - ALL FUNDS

June 30, 2016

<b>Revenue from Local Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
1110 Ad Valorem Taxes Levied by District	\$ 2,608,412.45	\$ -	\$ 1,037,395.51	\$ -
1190 Penalties and Interest on Taxes	10,059.02	-	3,885.60	-
1310 Regular Day School Tuition	14,082.00	12,918.00	-	-
1410 Regular Day School Transportation	11,693.89	-	-	-
1500 Earnings on Investments	25,811.58	381.60	4,397.25	65,659.68
1600 Food Service	-	95,837.17	-	-
1700 Extracurricular Activities	61,261.75	321,862.58	-	-
1910 Rentals	3,483.50	-	-	-
1920 Contributions and Donations From Private Sources	-	36,345.29	-	-
1960 Recovery of Prior Years' Expenditures	720.08	-	-	-
1990 Miscellaneous	17,069.82	24,293.52	-	-
<b>Total Revenue from Local Sources</b>	<b>\$ 2,752,594.09</b>	<b>\$ 491,638.16</b>	<b>\$ 1,045,678.36</b>	<b>\$ 65,659.68</b>
<b>Revenue from Intermediate Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
2101 County School Funds	\$ 6,996.12	\$ 3,354.84	\$ -	\$ -
2200 Restricted Revenue	534.04	-	-	-
<b>Total Revenue from Intermediate Sources</b>	<b>\$ 7,530.16</b>	<b>\$ 3,354.84</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from State Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
3101 State School Fund - General Support	\$ 6,043,786.22	\$ -	\$ -	\$ -
3102 State School Fund - School Lunch Match	-	2,618.10	-	-
3103 Common School Fund	127,256.49	-	-	-
3199 Other Unrestricted Grants-in-Aid	67,020.93	-	-	-
3299 Other Restricted Grants-in-Aid	46,089.51	3,820.50	-	-
<b>Total Revenue from State Sources</b>	<b>\$ 6,284,153.15</b>	<b>\$ 6,438.60</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Federal Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 508,208.85	\$ -	\$ -
4710 Grants-In-Aide From the Federal Government Through Other Intermediate Agencies	-	58,707.68	-	-
4801 Federal Forest Fees	47,697.17	-	-	-
<b>Total Revenue from Federal Sources</b>	<b>\$ 47,697.17</b>	<b>\$ 566,916.53</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Other Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
5200 Interfund Transfers	\$ -	\$ 433,000.00	\$ -	\$ -
5300 Sale of or Compensation for Loss of Fixed Assets	-	1,038.00	-	-
5400 Resources - Beginning Fund Balance	1,637,759.65	736,066.29	360,243.56	16,302,941.93
<b>Total Revenue from Other Sources</b>	<b>\$ 1,637,759.65</b>	<b>\$ 1,170,104.29</b>	<b>\$ 360,243.56</b>	<b>\$ 16,302,941.93</b>
<b>Grand Totals</b>	<b>\$ 10,729,734.22</b>	<b>\$ 2,238,452.42</b>	<b>\$ 1,405,921.92</b>	<b>\$ 16,368,601.61</b>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2016

**Instruction Expenditures**

1111 Primary, K-3
1121 Middle/Junior High Programs
1122 Middle/Junior High School Extracurricular
1131 High School Programs
1132 High School Extracurricular
1210 Programs for the Talented and Gifted
1220 Restrictive Programs for Students with Disabilities
1250 Less Restrictive Programs for Students with Disabilities
1260 Treatment and Habilitation
1280 Alternative Education
1291 English Second Language Programs

Totals	Object 100	Object 200
\$ 2,005,440.54	\$ 1,239,840.68	\$ 713,726.33
659,976.07	429,090.95	226,681.00
13,764.98	10,109.00	3,655.98
1,389,113.19	865,328.54	450,666.00
251,471.76	155,207.28	40,335.11
3,201.18	2,116.64	698.24
56,041.76	469.14	37.62
462,357.78	275,350.92	185,440.64
3,215.00	-	-
222,846.00	-	-
277.53	256.91	20.62

**Total Instruction Expenditures**    \$ 5,067,705.79    \$ 2,977,770.06    \$ 1,621,261.54

**Support Services Expenditures**

2120 Guidance Services
2130 Health Services
2150 Speech Pathology and Audiology Services
2140 Psychological Services
2190 Service Direction, Student Support Services
2210 Improvement of Instruction Services
2220 Educational Media Services
2230 Assessment & Testing
2240 Instructional Staff Development
2310 Board of Education Services
2320 Executive Administration Services
2410 Office of the Principal Services
2490 Other Support Services - School Administration
2520 Fiscal Services
2540 Operation and Maintenance of Plant Services
2550 Student Transportation Services
2640 Staff Services
2660 Technology Services
2700 Supplemental Retirement Program

Totals	Object 100	Object 200
\$ 177,597.67	\$ 116,174.92	\$ 59,007.24
14,701.91	11,625.12	933.85
524.36	-	-
312.50	-	-
66,749.13	41,215.52	22,460.68
116,204.10	49,219.65	58,616.69
98,306.95	46,061.80	39,452.90
27.44	-	-
27,481.90	20,367.53	7,114.37
15,931.43	-	-
217,192.25	129,809.49	69,715.95
578,320.02	336,219.46	227,479.35
2,057.00	-	-
261,541.08	150,063.43	85,533.53
839,932.74	265,508.58	170,984.78
655,217.58	-	-
5,221.20	-	-
283,150.27	57,083.87	26,617.03
112,097.26	47,857.68	64,239.58

**Total Support Services Expenditures**    \$ 3,472,566.79    \$ 1,271,207.05    \$ 832,155.95

**Other Uses Expenditures**

5200 Transfers of Funds
-------------------------

Totals	Object 100	Object 200
\$ 433,000.00	\$ -	\$ -

**Total Other Uses Expenditures**    \$ 433,000.00    \$ -    \$ -

**Grand Total**

**\$ 8,973,272.58    \$ 4,248,977.11    \$ 2,453,417.49**

Object 300	Object 400	Object 600	Object 700
\$ 10,155.69	\$ 41,717.84	\$ -	\$ -
2,467.48	1,736.64	-	-
-	-	-	-
13,217.68	39,666.02	20,234.95	-
5,432.17	18,642.18	31,855.02	-
-	386.30	-	-
55,535.00	-	-	-
182.72	1,373.50	10.00	-
3,215.00	-	-	-
222,846.00	-	-	-
-	-	-	-
<b>\$ 313,051.74</b>	<b>\$ 103,522.48</b>	<b>\$ 52,099.97</b>	<b>\$ -</b>

Object 300	Object 400	Object 600	Object 700
\$ 820.47	\$ 1,595.04	\$ -	\$ -
-	2,142.94	-	-
-	524.36	-	-
312.50	-	-	-
3,010.47	62.46	-	-
2,560.44	1,008.35	4,798.97	-
-	12,792.25	-	-
-	27.44	-	-
-	-	-	-
13,438.25	314.98	2,178.20	-
12,961.18	2,000.13	2,705.50	-
2,463.18	7,406.75	4,751.28	-
-	2,057.00	-	-
2,008.93	1,735.01	22,200.18	-
253,706.16	112,600.30	37,132.92	-
654,898.20	319.38	-	-
5,221.20	-	-	-
76,304.83	122,994.54	150.00	-
-	-	-	-
<b>\$ 1,027,705.81</b>	<b>\$ 267,580.93</b>	<b>\$ 73,917.05</b>	<b>\$ -</b>

Object 300	Object 400	Object 600	Object 700
\$ -	\$ -	\$ -	\$ 433,000.00
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 433,000.00</b>
<b>\$ 1,340,757.55</b>	<b>\$ 371,103.41</b>	<b>\$ 126,017.02</b>	<b>\$ 433,000.00</b>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

June 30, 2016

**Instruction Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
1111 Elementary, K-5 or K-6	\$ 65,471.98	\$ 43,291.64	\$ 13,629.29
1113 Elementary Extracurricular	11,644.87	-	-
1121 Middle/Junior High Programs	2,754.84	911.76	318.52
1131 High School Programs	16,559.54	-	-
1132 High School Extracurricular	287,375.27	-	-
1140 Pre-Kindergarten Programs	16,041.79	11,482.10	922.33
1210 Programs for the Talented and Gifted	242.00	-	-
1250 Less Restrictive Programs for Students with Disabilities	86,903.23	43,641.40	43,261.83
1272 Title I	145,176.17	87,087.45	57,185.46
<b>Total Instruction Expenditures</b>	<b>\$ 632,169.69</b>	<b>\$ 186,414.35</b>	<b>\$ 115,317.43</b>

**Support Services Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
2120 Guidance Services	\$ 67,628.53	\$ 40,346.83	\$ 22,921.79
2130 Health Services	284.97	-	-
2190 Service Direction, Student Support Services	444.83	347.52	97.31
2210 Improvement of Instruction Services	1,941.34	933.25	285.09
2320 Executive Administration Services	9,705.45	-	-
2520 Fiscal Services	18,022.49	2,730.40	15,292.09
2540 Operation and Maintenance of Plant Services	15,409.25	13,808.03	819.65
2550 Student Transportation Services	1,315.00	-	-
2660 Technology Services	65,633.25	627.52	122.57
<b>Total Support Services Expenditures</b>	<b>\$ 180,385.11</b>	<b>\$ 58,793.55</b>	<b>\$ 39,538.50</b>

**Enterprise and Community Services Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
3100 Food Services	\$ 287,303.93	\$ 77,477.64	\$ 59,571.59
3300 Community Services	14,384.64	7,689.42	619.22
<b>Total Enterprise and Community Services Expenditures</b>	<b>\$ 301,688.57</b>	<b>\$ 85,167.06</b>	<b>\$ 60,190.81</b>

**Grand Total**

<b>Grand Total</b>	<b>\$ 1,114,243.37</b>	<b>\$ 330,374.96</b>	<b>\$ 215,046.74</b>
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Object 300	Object 400	Object 600	Object 700
\$ 410.00	\$ 8,141.05	\$ -	\$ -
4,933.76	6,510.76	200.35	-
400.00	1,124.56	-	-
-	16,559.54	-	-
23,024.06	126,076.12	73,078.03	65,197.06
14.30	3,623.06	-	-
242.00	-	-	-
-	-	-	-
-	833.26	70.00	-
<b>\$ 29,024.12</b>	<b>\$ 162,868.35</b>	<b>\$ 73,348.38</b>	<b>\$ 65,197.06</b>

Object 300	Object 400	Object 600	Object 600
\$ 3,296.20	\$ 1,048.86	\$ 14.85	\$ -
-	284.97	-	-
-	-	-	-
23.00	700.00	-	-
9,705.45	-	-	-
-	-	-	-
-	781.57	-	-
1,315.00	-	-	-
2,898.55	61,214.61	770.00	-
<b>\$ 17,238.20</b>	<b>\$ 64,030.01</b>	<b>\$ 784.85</b>	<b>\$ -</b>

Object 300	Object 400	Object 600	Object 600
\$ 6,987.94	\$ 138,954.18	\$ 4,312.58	\$ -
1,825.00	4,251.00	-	-
<b>\$ 8,812.94</b>	<b>\$ 143,205.18</b>	<b>\$ 4,312.58</b>	<b>\$ -</b>
<b>\$ 55,075.26</b>	<b>\$ 370,103.54</b>	<b>\$ 78,445.81</b>	<b>\$ 65,197.06</b>

**PLEASANT HILL SCHOOL DISTRICT NO.1**  
**Pleasant Hill, Oregon**

EXPENDITURE SUMMARY - DEBT SERVICE FUND

June 30, 2016

**Other Uses Expenditures**

5100 Debt Service

	Totals	Object 600
	\$ 1,142,096.85	\$ 1,142,096.85
<b>Total Other Uses Expenditures</b>	<b>\$ 1,142,096.85</b>	<b>\$ 1,142,096.85</b>
<b>Grand Total</b>	<b>\$ 1,142,096.85</b>	<b>\$ 1,142,096.85</b>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND

June 30, 2016

<b>Support Services Expenditures</b>	<b>Totals</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
2520 Support Services - Fiscal Services	\$ 120.65	\$ -	\$ -	\$ -	\$ 120.65
2540 Operation and Maintenance of Plant Services	\$ 144,614.14	\$ 136,047.00	\$ 8,567.14	\$ -	\$ -
<b>Total Support Services Expenditures</b>	<b>\$ 144,734.79</b>	<b>\$ 136,047.00</b>	<b>\$ 8,567.14</b>	<b>\$ -</b>	<b>\$ 120.65</b>
<b>Facilities Acquisition and Construction Expenditures</b>	<b>Totals</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
4150 Building Acquisition and Construction	\$ -	\$ -	\$ -	\$ -	\$ -
4190 Other Facilities Construction Services	14,804,774.03	549,348.15	1,519.00	14,177,880.50	76,026.38
<b>Total Facilities Acquisition and Construction Expenditures</b>	<b>\$ 14,804,774.03</b>	<b>\$ 549,348.15</b>	<b>\$ 1,519.00</b>	<b>\$ 14,177,880.50</b>	<b>\$ 76,026.38</b>
<b>Grand Total</b>	<b>\$ 14,949,508.82</b>	<b>\$ 685,395.15</b>	<b>\$ 10,086.14</b>	<b>\$ 14,177,880.50</b>	<b>\$ 76,147.03</b>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor, Pass through Grantor, Program Title	CFDA	Revenue	Expenditures
<b><u>U.S. Department of Education</u></b>			
Passed through Lane Education Service District			
Youth Transition Program	84.186	\$ 23,178	\$ 23,270
Passed through Oregon State Department of Education			
Title I Grants to Local Educational Agencies (Title IA of the ESEA)*	84.010	144,552	144,552
Special Education Cluster			
IDEA Special Education Grants To States	84.027	87,589	87,589
Title IIA Improving Teaching Quality State Grants	84.367	<u>56,476</u>	<u>56,476</u>
Total U.S. Department of Education		<u>311,795</u>	<u>311,887</u>
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Oregon State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	47,178	47,178
National School Lunch Program	10.555	116,536	116,536
NSLP Commodities	10.555	<u>21,406</u>	<u>21,406</u>
Total U.S. Department of Agriculture		<u>185,120</u>	<u>185,120</u>
<b><u>U.S. Department of Labor</u></b>			
Passed through Lane County			
WIA/WIOA Youth Program	17.259	58,708	58,708
United Way Basic Needs	93.556	3,100	3,100
Passed through United Way			
Family Support Services	93.556	<u>8,193</u>	<u>8,193</u>
Total U.S. Department of Labor		<u>70,001</u>	<u>70,001</u>
<b><u>Direct Federal Forest Grants</u></b>			
Federal Forest Fees	10.665	<u>47,697</u>	<u>47,697</u>
Total federal expenditures		<u>\$ 614,613</u>	<u>\$ 614,705</u>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULE OF CONTINUING DISCLOSURE REQUIREMENTS

GENERAL OBLIGATION REFUNDING BONDS

June 30, 2016

**1. PROPERTY VALUATION**

	2016
Real Market Value	\$818,116,743
Taxable Assessed Value	\$589,744,816

**2. PROPERTY TAXES**

**A. Representative Levy Rate** (per \$1,000 of Assessed Value)

	Billing Rate	Bond Levy Rate	Local Option Rate	Consolidated Rate
<b>General Government</b>				
PH Rural Fire Protection District	\$1.1031	\$0.0000	\$0.0000	\$1.1031
Lane County	1.2793	0.0000	0.5500	1.8293
Total General Government	\$2.3824	\$0.0000	\$0.5500	\$2.9324
<b>Education</b>				
Pleasant Hill School District	\$4.6414	\$1.8229	\$0.0000	\$6.4643
Lane Community College	0.6191	0.2007	0	0.8198
Lane ESD	0.2232	0	0	0.2232
Total Education	\$5.4837	\$2.0236	\$0.0000	\$7.5073
<b>Total Tax Rate</b>	\$7.8661	\$2.0236	\$0.5500	\$10.4397

**B. Tax Collections**

	General	Debt Service	Total
Property Taxes Levied	\$2,713,725.68	\$1,078,512.56	\$3,792,238.24
Property Taxes Collected	\$2,608,412.45	\$1,037,395.51	\$3,645,807.96

**3. GENERAL OBLIGATION BONDS**

**A. Outstanding Long-Term Debt (See pages 32 and 33.)**

**B. Outstanding General Obligation Bonds See page 58 for detail.)**

	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding as of June 30, 2016
General Obligation Bonds				
GO Bonds, Series 2014	12/22/2014	6/15/2035	17,950,260	17,950,260
Total General Obligation Bonds				\$17,950,260

(continued)

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULE OF CONTINUING DISCLOSURE REQUIREMENTS

GENERAL OBLIGATION REFUNDING BONDS

June 30, 2016

(continued)

<b>4. MAJOR TAXPAYERS</b>	<b>Assessed Value</b>	<b>Tax</b>
Emerald PUD	\$12,295,000	\$125,154
McDougal, Richard N.	3,081,449	30,679
Northwest Natural Gas Company	3,086,000	30,469
Weyerhaeuser Company	2,917,158	27,217
Union Pacific Railroad Company	2,610,448	24,414
Guistina Land & Timber Company	2,584,004	24,246
Lost Creek Timber	2,244,437	20,955
Ziemski, Glenn	1,934,783	19,991
Yates, Tommie J. and Joan L.	374,982	17,068
Pisgah Public Market LLC	1,598,804	16,603
<b>5. AVERAGE DAILY MEMBERSHIP (Weighted)</b>		
<b>Extended ADMw:</b>	2015	2016
Current Fiscal Year Estimated ADMw	1,110.90	1,164.30
Prior Fiscal Year Estimated ADMw	1,077.94	1,110.90
Extended ADMw (greater of Current or Prior Year)	1,110.90	1,164.30
<b>6. FINANCIAL FACTORS</b>		
(1) General Fund Balance Sheet	See page 14.	
(2) General Fund Statement of Revenues, Expenditures and Changes in Fund Balance	See page 16.	

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULE OF FUTURE REQUIREMENTS OF BONDED DEBT

For the Year Ended June 30, 2016

Fiscal Year	TOTAL ALL REQUIREMENTS			GENERAL OBLIGATION BONDS Series 2014A			GENERAL OBLIGATION BONDS Series 2014B		
	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2017	\$ 1,219,706	\$ 947,244	\$ 272,462	\$ 254,706	\$ -	\$ 254,706	\$ 965,000	\$ 947,244	\$ 17,756
2018	1,259,706	968,689	291,017	254,706	-	254,706	1,005,000	968,689	36,311
2019	1,304,706	986,370	318,336	254,706	-	254,706	1,050,000	986,370	63,630
2020	1,359,706	1,105,000	254,706	1,359,706	1,105,000	254,706	-	-	-
2021	1,401,556	1,180,000	221,556	1,401,556	1,180,000	221,556	-	-	-
2022	1,442,956	1,245,000	197,956	1,442,956	1,245,000	197,956	-	-	-
2023	1,483,056	1,310,000	173,056	1,483,056	1,310,000	173,056	-	-	-
2024	1,530,656	1,410,000	120,656	1,530,656	1,410,000	120,656	-	-	-
2025	1,577,496	1,515,000	62,496	1,577,496	1,515,000	62,496	-	-	-
2026	1,625,000	1,155,781	469,219	-	-	-	1,625,000	1,155,781	469,219
2027	1,670,000	1,136,168	533,832	-	-	-	1,670,000	1,136,168	533,832
2028	1,720,000	1,115,214	604,786	-	-	-	1,720,000	1,115,214	604,786
2029	1,775,000	1,098,707	676,293	-	-	-	1,775,000	1,098,707	676,293
2030	1,825,000	1,076,348	748,652	-	-	-	1,825,000	1,076,348	748,652
2031	640,000	358,938	281,062	-	-	-	640,000	358,938	281,062
2032	655,000	348,643	306,357	-	-	-	655,000	348,643	306,357
2033	675,000	340,328	334,672	-	-	-	675,000	340,328	334,672
2034	695,000	331,272	363,728	-	-	-	695,000	331,272	363,728
2035	715,000	321,557	393,443	-	-	-	715,000	321,557	393,443
<b>TOTALS</b>	<b>\$ 24,574,544</b>	<b>\$ 17,950,259</b>	<b>\$ 6,624,285</b>	<b>\$ 9,559,544</b>	<b>\$ 7,765,000</b>	<b>\$ 1,794,544</b>	<b>\$ 15,015,000</b>	<b>\$ 10,185,259</b>	<b>\$ 4,829,741</b>

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



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Pleasant Hill School District No. 1  
Pleasant Hill, Oregon 97455

We have audited the basic financial statements of Pleasant Hill School District No. 1 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether Pleasant Hill School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

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

**Indebtedness limitations, restrictions, and repayment**

**Budgets legally required (ORS Chapter 294)**

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

**Authorized investment of surplus funds (ORS Chapter 294)**

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

**State school fund factors and calculation**

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

**OAR 162-010-0230 Internal Control**

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

This report is intended solely for the information and use of the board of directors and management of Pleasant Hill School District No. 1 and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC

December 20, 2016

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2016

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

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

	Objects 325 and 326
Function 2540	\$ 152,132
Function 2550	\$ 1,257

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

\$	-
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Exclude these functions:

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

Exclude these functions:

4150 Construction  
 2550 Pupil Transportation  
 3100 Food Service  
 3300 Community Services