

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

DISTRICT OFFICIALS

YEAR ENDED JUNE 30, 2015

Board Members

Denise Piza
Madras, Oregon

Dani Cowdrey
Ashwood, Oregon

Lindsay Foster-Drago
Madras, Oregon

Marie Glenn
Madras, Oregon

Marti Dale
Camp Sherman, Oregon

Lola Hagman
Culver, Oregon

Superintendent

Rick Molitor

District Office

295 S.E. Buff Street
Madras, Oregon 97741

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
Statement of Net Position.....	10
Statement of Activities	11
Balance Sheet – Governmental Funds.....	12
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	15
Notes to Financial Statements	16-33
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	34
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	35
Schedule of the Proportionate Share of the Net Pension Liability	36
Schedule of Contributions	37
SUPPLEMENTARY INFORMATION	
General Fund – Schedule of Expenditures by Object	38
Special Revenue Fund – Schedule of Expenditures by Object.....	39
Schedule of Property Tax Transactions	40
Supplemental Information for Oregon Department of Education	41
Schedule of Expenditures of Federal Awards.....	42
INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS.....	
	43-44

FINANCIAL SECTION



Board of Directors
Jefferson County Education Service District
Jefferson County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Jefferson County Education Service District, Jefferson County, Oregon (the District), as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Jefferson County Education Service District, Jefferson County, Oregon, as of June 30, 2015, and the respective changes in financial position and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules – General and Special Revenue Fund, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions as listed in the table of contents, 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 Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Budgetary Comparison Schedules – General and Special Revenue Fund 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, Budgetary Comparison Schedules – General and Special Revenue Fund, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County Education Service District, Jefferson County, Oregon's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The General Fund-Schedule of Expenditures by Object, the Special Revenue Fund-Schedule of Expenditures by Object, the Schedule of Property Tax Transactions, and the supplemental information required by the Oregon Department of Education, as listed in the table of contents, 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 them.

Emphasis of a Matter

As discussed in Note 5 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27. As required by GASB No. 68, the District has restated the beginning net position at July 1, 2014 to reflect the net pension liability calculated actuarially as of June 30, 2014. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 26, 2015 on our considerations of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of this 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.



Brenda Bartlett, CPA

SGA Certified Public Accountants and Consultants, LLP

October 26, 2015

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

Our discussion and analysis of Jefferson County Education Service District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ending June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- On June 30, 2015, the District's assets exceeded its liabilities by \$404,961.
- The District's total net position increased by \$681,550 after 2014 restatement for GASB No. 68.
- The District's governmental funds reported an ending fund balance of \$516,119. Assigned as appropriated ending fund balance was \$78,823 and there was a surplus of \$437,296 that was unassigned and available for spending at the District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual report consists of a series of financial statements that show information for the District as a whole, its funds and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Our fund financial statements are included later in the financial report. These statements illustrate how we financed our services in the short-term as well as what remains for future spending.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position. The statement of net position presents information on all of the assets and liabilities of the District at year end. Net position is what remains after liabilities have been paid or otherwise satisfied. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

The Statement of Activities. The statement of activities presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net assets 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).

FUND FINANCIAL STATEMENTS

Governmental funds account for the same functions as reported as governmental activities in the government-wide financial statements. The governmental fund reporting focuses on how money flows in and out of the funds and the balances left at year-end that are available for spending. They are reported using the "modified accrual" method of accounting, which measures cash and all other financial assets that can be readily converted to cash. This information is essential for preparation of and compliance with annual budgets. We describe the relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation following the government statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net position at June 30, 2015 were as follows. The presentation for 2014 has been revised for the effect of implementation of GASB No. 68 and *Financial Reporting Accounting for Pensions*.

	June 30,	
	2015	2014 (Restated)
Assets		
Current and other assets	\$ 1,121,550	\$ 585,291
Capital assets, net	102,092	108,352
Total Assets	1,223,642	693,643
Deferred Outflows	191,257	189,456
Liabilities		
Current liabilities	135,000	142,350
Other liabilities	5,864	1,017,338
Total Liabilities	140,864	1,159,688
Deferred Inflows	869,074	
Net Position		
Investment in capital assets	102,092	108,352
Unrestricted	302,869	(384,941)
Total Net Position	\$ 404,961	\$ (276,589)

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

The following schedule compares the revenues and expenditures for the current and previous year. The 2014 Statement of Activities presented here has not been revised for the effects of GASB No. 68 and *Financial Reporting Accounting for Pensions*; therefore, the ending Net Position does not agree to the beginning balance in 2015. Further information about the adoption of GASB 68 can be found in the Note 5 to the financial statements.

	Year Ended June 30,	
	2015	2014
Program Revenues		
Charges for services	\$ 226,819	\$ 213,927
Operating grants	14,852	28,253
General Revenues		
Property taxes	289,415	279,943
State school fund	1,314,353	1,116,050
Earnings on investments	3,694	4,063
Miscellaneous	2,980	2,259
Total Revenues	1,852,113	1,644,495
Expenses		
Instruction	106,524	129,559
Support services	1,064,039	1,604,410
Other uses		603
Total Expenses	1,170,563	1,734,572
Change in Net Position	681,550	(90,077)
Beginning Net Position (as restated)	(276,589)	631,392
Ending Net Position	\$ 404,961	\$ 541,315

The District has \$674,101 in current assets. Approximately 25% of the costs of the District's activities are paid by property taxes; 71% of the revenue comes from the State of Oregon-State School Fund with the balance coming from investment income, grants and charges for services.

The District has realized an 18% increase in revenue for the State of Oregon-State School Fund from fiscal years ending June 30, 2014 to June 30, 2015.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS

The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment. There were no major capital asset events for the year. The summary of net investment in capital assets is as follows:

	Net Value	
	2015	2014
Land	\$ 16,262	\$ 16,262
Buildings and improvements	127,451	127,451
Vehicles and equipment	31,331	31,331
Less accumulated depreciation	(72,952)	(66,692)
Total capital assets	\$ 102,092	\$ 108,352

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

FUND FINANCIAL ANALYSIS

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Unreserved fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2015, total fund balance of the governmental funds was \$516,119.

ENDING FUND BALANCE

The summary of ending fund balances for the major governmental funds are as follows:

	General Fund		Change
	2015	2014	
Assigned to:			
Appropriated ending fund balance	\$ 78,823	\$ 425,196	\$ (346,373)
Unassigned	437,296		437,296
Total fund balance	\$ 516,119	\$ 425,196	\$ 90,923

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

BUDGET VARIATIONS

The budget is adopted by the Board at the function level. General and Special Revenue Fund expenditures were within final budgeted amounts. The general fund was under budget by \$407,477 primarily due to contingency of \$293,000 not being used, as well as speech services.

The District hired three new speech therapists in 2014-2015. The new speech therapist were hired at the lower end of the pay scale and the District was not required to make payments into the PERS system for these employees until six month after their employment with the District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the Oregon State School Fund. For the year ended June 30, 2015, the State School Fund-General Support provided 71% of the revenue for the governmental funds.

Salaries and benefits costs are expected to increase in 2015-2016 based on contractual obligations. Uncertainty about regional, state and national economic conditions, along with increased costs, were taken into account by the District Board and Budget Committee in preparing the budget for the 2015-2016 fiscal year.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our taxpayers, parents, teachers, students, investors and creditors with an overview of the District's finances. Requests for further information regarding this report should be addressed to CFO, Jefferson County Education Service District, 295 SE Buff Street Madras, OR 97741.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 591,485
Receivables - property taxes	19,725
Receivables - intergovernmental	62,891
Capital assets, net of depreciation	
Land	16,262
Buildings, improvements and equipment	85,830
Net pension asset	<u>447,449</u>
TOTAL ASSETS	<u>1,223,642</u>
DEFERRED OUTFLOWS	
Differences between employer contributions and proportionate share of contributions	1,291
Pension contributions made after measurement date	<u>189,966</u>
TOTAL DEFERRED OUTFLOWS	<u>191,257</u>
LIABILITIES	
Accounts payable	11,189
Accrued payroll and related liabilities	123,811
Noncurrent liabilities due within more than one year	
Accrued compensated absences payable	5,864
Net pension liability	<u></u>
TOTAL LIABILITIES	<u>140,864</u>
DEFERRED INFLOWS	
Net difference between projected and actual earnings on investments	863,395
Unearned revenue	<u>5,679</u>
TOTAL DEFERRED INFLOWS	<u>869,074</u>
NET POSITION	
Net investment in capital assets	102,092
Unrestricted	<u>302,869</u>
TOTAL NET POSITION	<u><u>\$ 404,961</u></u>

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction	\$ 106,524	\$ 1,439	\$	\$ (105,085)
Student support services	686,816	151,605		(535,211)
Instructional staff support	20,939		14,852	(6,087)
General administration	85,946			(85,946)
Business support services	34,705			(34,705)
Central activities	235,633	73,775		(161,858)
Total governmental activities	\$ 1,170,563	\$ 226,819	\$ 14,852	(928,892)
General revenues:				
Property taxes				289,415
State school fund - general support				1,314,353
Earnings on investments				3,694
Other				2,980
Total general revenues				1,610,442
				CHANGE IN NET POSITION
				681,550
				Net position - beginning, as restated
				(276,589)
				Net position - ending
				\$ 404,961

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2015 AND SUMMARIZED INFORMATION FOR JUNE 30, 2014

ASSETS	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
Cash and investments	\$ 591,485	\$	\$ 591,485	\$ 460,666
Receivables (no allowance for uncollectible accounts considered necessary):				
Property taxes	19,725		19,725	23,177
Intergovernmental	50,691	12,200	62,891	101,448
Due from special revenue fund	<u>5,589</u>		<u>5,589</u>	
Total assets	<u>\$ 667,490</u>	<u>\$ 12,200</u>	<u>\$ 679,690</u>	<u>\$ 585,291</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,257	\$ 932	\$ 11,189	\$ 33,515
Accrued payroll liabilities	123,811		123,811	108,835
Due to general fund		<u>5,589</u>	<u>5,589</u>	
Total liabilities	<u>134,068</u>	<u>6,521</u>	<u>140,589</u>	<u>142,350</u>
Deferred inflows				
Unavailable property taxes	17,303		17,303	17,745
Unearned grant revenue		<u>5,679</u>	<u>5,679</u>	
Total deferred inflows	17,303	5,679	22,982	17,745
Fund balance				
Assigned for:				
Appropriated ending fund balance	78,823		78,823	425,196
Unassigned	<u>437,296</u>		<u>437,296</u>	
Total fund balance	<u>516,119</u>		<u>516,119</u>	<u>425,196</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 667,490</u>	<u>\$ 12,200</u>	<u>\$ 679,690</u>	<u>\$ 585,291</u>

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION

JUNE 30, 2015

TOTAL FUND BALANCES		\$ 516,119
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Acquisition cost	\$ 175,044	
Accumulated depreciation	<u>(72,952)</u>	102,092
Net pension asset is not a financial resource and therefore is not reported in the governmental funds		
		447,449
A portion of the District's property taxes are collected after year-end, but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds		
		17,303
Deferred inflows and outflows of resources do not provide or use current financial resources and therefore are not included in the governmental funds:		
Pension contributions made after measurement date	189,966	
Changes in employer portion of pension	1,291	
Changes in actuarial assumptions and other items related to pensions	<u>(863,395)</u>	(672,138)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.		
Accrued vacation payable		<u>(5,864)</u>
TOTAL NET POSITION		<u>\$ 404,961</u>

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2015 AND SUMMARIZED INFORMATION FOR JUNE 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
Revenues				
Property taxes	\$ 289,857	\$	\$ 289,857	\$ 283,380
Interest	3,694		3,694	4,063
Charges for services	228,741		228,741	216,186
Private contributions		1,058	1,058	
Intergovernmental revenues				
State	1,306,853	7,500	1,314,353	1,116,050
Federal		14,852	14,852	28,253
	<u>1,829,145</u>	<u>23,410</u>	<u>1,852,555</u>	<u>1,647,932</u>
Expenditures				
Current				
Instruction	171,669		171,669	129,559
Support services	1,566,553	23,410	1,589,963	1,598,210
	<u>1,738,222</u>	<u>23,410</u>	<u>1,761,632</u>	<u>1,727,769</u>
Net change in fund balance	90,923		90,923	(79,837)
Fund balance - beginning of year	425,196		425,196	505,033
Fund balance - end of year	<u>\$ 516,119</u>	<u>\$</u>	<u>\$ 516,119</u>	<u>\$ 425,196</u>

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

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

YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCE	\$ 90,923
Amounts reported for governmental activities in the <i>Statement of Activities</i> are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	
Less current year depreciation	(6,260)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.	593,215
Compensated absences are recognized as expenditures in the governmental funds when they are paid. In the Statement of Activities they are recognized as an expenditure when incurred.	4,114
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.	<u>(442)</u>
CHANGE IN NET POSITION	<u><u>\$ 681,550</u></u>

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson County Education Service District (District) was organized under provisions of Oregon Statutes pursuant to ORS Chapter 334 and provides support services to school age children in Jefferson County. The school districts served by the District include Ashwood School District #8, Black Butte School District #41, Culver School District #4 and Jefferson County School District #509J.

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

The District qualifies as a primary government because it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide service within the District's boundaries. The District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

Control of the District is vested in its Board of Directors, who are elected to office by voters within the district. The chief administrative officer is the Superintendent.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements report information on all financial activities of the government. There was no interfund activity during the year. Governmental activities are financed primarily through taxes, intergovernmental revenues and charges for services and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has neither business-type activities nor fiduciary-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 at the time a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund types are presented using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under 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. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. The fund financial statements provide information about the District's general fund and special revenue fund. The District does not maintain any non-major governmental funds.

The District reports the following major governmental funds:

- The General Fund is the District's operating fund. It accounts for all financial resources of the District. Principal revenue sources are local property taxes and state school support.
- The Special Revenue Fund accounts for revenues derived from specific grants and other earmarked revenue sources which are legally restricted to finance particular functions or activities. Principal revenue sources are federal and local grants.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities and Net Assets

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, the State Treasurer's Investment Pool and cash in the Jefferson County Investment Pool.

State statutes authorize the District to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, commercial paper and the State Treasurer's Investment Pool (Oregon Short-Term Fund), among others.

Receivables and Payables

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15 and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Tax revenue is considered received when in the hands of the county as the intermediary collecting agency. Revenue is recorded when the tax collections are available to finance operations of the current period. Uncollected property taxes are shown on the balance sheet as receivables. In the fund financial statement, collections within sixty days subsequent to year-end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred inflow because it is not deemed available to finance operations of the current period.

In the government wide statements, all property tax receivable are recognized as revenue. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Accounts and other receivables are comprised primarily of unreimbursed expenditures due from constituent districts.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

Capital assets are recorded at original or estimated original cost. The District defines capital assets as assets with an initial cost of more than \$5,000 and useful life extending beyond a single reporting period. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Equipment	5 to 10 years

Retirement Plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenditures.

Compensated Absences

The majority of District personnel work under an annual contract based on the number of work days in each year. Employees under such contracts have no vested vacation pay benefits. Classified employees are allowed to vest vacation days. At year end, two classified employees had vested vacation pay benefits. Sick pay does not vest.

Fund Equity

The District reports fund balance in accordance with *GASB No 54, Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, in the fund financial statements governmental funds are categorized by the nature of the resources within the fund. The District reports fund balance using the following categories:

Nonspendable fund balance indicates the portion of fund equity that cannot be spent as it is not in a spendable form, such as inventories and prepaid expenditures.

Restricted fund balance indicates the portion of fund equity which is externally restricted by creditors, grantors or law.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Committed fund balance indicates the portion of fund equity which the board of directors, the highest level of authority, has placed formal constraints on through resolution or board policy. These commitments can only be overturned by a like action.

Assigned fund balance indicates the portion of fund equity which the District intends to use for specific purposes imposed by management. The authority for management to assign resource for specific purposes is granted by the board of directors.

Unassigned fund balance indicates the portion of general fund equity which is available for budgeting in future periods.

When an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Further, when the components of unrestricted net 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. As of June 30, 2015, the District had no restricted or committed fund balance.

Budgetary Information

Annual budgets, as required by state statutes, are adopted on the modified accrual basis of accounting for all governmental funds. The budget is prepared by fund, function and activity. The budget document includes actual information on the past two years, current year budget information, as well as requested appropriation and estimated revenues for the ensuing fiscal year.

The proposed budget is presented by the budget officer to the budget committee. Public meetings are held by the budget committee. The budget committee may make changes to the original document. The budget committee approves the budget document to be submitted to the governing body of the District. Once the budget document is received by the governing body, they hold a public hearing on a date as published. After the public hearing, the governing body gives consideration to matters discussed and makes amendments to the budget document prior to adoption. However, state statutes do not allow the governing body to increase estimated expenditures for each fund by more than ten percent. The amount of the total ad valorem taxes to be certified by the county for levy for all funds shall not exceed the amount presented by the budget committee unless the budget document is republished and another public hearing is held.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The governing body is then required by state statutes to adopt the budget, make appropriations, and certify the levy of ad valorem taxes for each fund. Except for the allowance of appropriation transfers, expenditures can not exceed appropriations. The level of control for appropriations is exercised at the program level. The program level consists of instruction, support services and operating contingency. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the governing body. All appropriations lapse at the end of the District's fiscal year.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2015 were as follows:

Deposits with Financial Institutions	\$ 138,297
Jefferson County Investment Pool	126,392
Wasco County Treasurer	40
Local Government Investment Pool	326,756
Total shown on statement of net position	<u>\$ 591,485</u>

At June 30, 2015 the District held cash of \$138,297 with a bank balance of \$145,127. Oregon Revised Statute Chapter 295 requires that bank depositories pledge collateral against any public fund deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank loss. The Office of the State Treasurer maintains a list of financial institutions in which deposits in excess of deposit insurance limits can be held. As of June 30, 2015 the District's cash balances did not exceed FDIC insurance.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS - continued

Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution’s level of capitalization as determined by its federal regulatory authority. The aggregate Oregon public fund collateral pledged at June 30, 2015, was \$1,446,787,655 for reported uninsured public funds of \$1,818,055,422. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District’s funds were held by financial institutions that participated in the State Treasurer’s program and were in compliance with statutory requirements.

Investments

As of June 30, 2015 the District held the following investments:

Investment Type	Fair Value	% of investment portfolio
Local Government Investment Pool	\$ 326,756	72.10%
Jefferson and Wasco Counties Investment Pool	126,432	27.90%
	\$ 453,188	100.00%

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy limits investments as follows:

Investment Type	Maximum % of portfolio	Maximum length to maturity
US Treasury securities	100%	18 months
US Agency securities	100%	18 months
Banker's acceptance	25%	18 months
Repurchase agreements	25%	18 months
Certificates of deposit	25%	18 months
Local Government Investment Pool	100%	One day
State and local government securities	50%	18 months

Maturities over 18 months will be allowed following review and approval of the District’s Investment Policy by the Oregon Short Term Funds Board.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS - continued

Custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the investments above are held in safekeeping by a financial institution counterparty.

The District's policy, which adheres to State of Oregon law, is to limit its investments to the following: Issuers within Oregon must be rated "A" or better by Standard and Poor's or Moody's Investors Service, issuers not in Oregon must be rated AA/Aa or better. Investments in the Local Government Investment Pool and the Jefferson and Wasco County Investment Pools are not required to be rated.

Investments – External Investment Pools

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the LGIP.

The LGIP is one of five asset classes approved for the investment of State of Oregon (State) funds. A number of local governments in Oregon as well as all State agencies participate in the LGIP, thus it is an external investment pool as defined in Statement No. 31 of the Government Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution.

Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The LGIP was in compliance with all portfolio guidelines at June 30, 2015. The reported value of the LGIP is equal to the fair value of the LGIP shares.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS - continued

In addition, the District voluntarily participates in an external investment pool through the Jefferson County Treasurer. The reported value of the pool is the same as the fair value of the pool shares. The fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The County's investment policies follow investment guidance of Oregon Revised Statutes (ORS 294.035 through 294.046) and more specifically provides that the Jefferson County Investment Pool shall be limited to:

- a. Legally issued obligations of the United States, the agencies and Instruments of the United States or enterprises sponsored by the United States' government.
- b. Time deposit open accounts, certificates of deposit and savings accounts in banks, mutual savings banks and savings and loan associations which maintain a head office or branch in Oregon.
- c. Governmental Repurchase Agreements, fully collateralized, not to exceed 30 days.
- d. Bankers' Acceptance that are guaranteed by an Oregon financial institution.
- e. LGIP.

Investments held by the County Treasurer at June 30, 2015 were in compliance with investment guidelines. There were no restrictions on cash or investments at June 30, 2015.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not subject to depreciation				
Land	\$ 16,262	\$	\$	\$ 16,262
Capital assets subject to depreciation				
Building and improvements	127,451			127,451
Equipment	31,331			31,331
	<u>158,782</u>			<u>158,782</u>
Less accumulated depreciation for				
Building and improvements	39,731	3,187		42,918
Equipment	26,961	3,073		30,034
	<u>66,692</u>	<u>6,260</u>		<u>72,952</u>
Total capital assets subject to depreciation, net	<u>92,090</u>	<u>(6,260)</u>		<u>85,830</u>
Total capital assets, net	<u>\$ 108,352</u>	<u>\$ (6,260)</u>	<u>\$</u>	<u>\$ 102,092</u>

Depreciation expense of \$6,260 for the year was charged to student support services.

NOTE 4 - TAX COLLECTIONS

The levies, as extended on the tax rolls, are summarized as follows:

	Wasco County	Jefferson County	Total
Levy per notice of levy (.2398/\$1,000)	\$ 5,151	\$ 300,151	\$ 305,302
Other adjustments		119	119
Compression loss	(169)	(11,122)	(11,291)
Levy as extended on tax rolls	<u>\$ 4,982</u>	<u>\$ 289,148</u>	<u>\$ 294,130</u>

Unpaid taxes become subject to foreclosure four years after they become a lien on the property. Tax collections and foreclosure are the responsibility of the County Tax Collector.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 5 – PENSION PLAN

Plan Description

The District contributes to the Oregon Public Employees Retirement System (PERS) which is a cost sharing multiple employer defined benefit pension plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. Participation by schools districts is mandatory. PERS issues a publicly available financial report which can be obtained on their website, www.oregon.gov/PERS.

PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System. All members of the Board are appointed by the governor and confirmed by the state Senate. The governor designates the chairperson. One member must be a public employer manager or a local elected official, one member must be a union-represented public employee or retiree, and three members must have experience in business management, pension management, or investing.

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. As of June 30, 2014, there were 36,176 active plan members, 118,496 inactive plan members or their beneficiaries currently receiving benefits, 14,901 inactive plan members entitled to but not yet receiving benefits, and 1,712 inactive plan members not eligible for refund or retirement, for a total of 171,285 Tier One members. As of June 30, 2014, there were 43,367 active plan members, 9,447 inactive plan members or their beneficiaries currently receiving benefits, 11,277 inactive plan members entitled to but not yet receiving benefits, and 5,112 inactive plan members not eligible for refund or retirement, for a total of 69,203 Tier Two members in the System.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit), which is part of the Plan and the Individual Account Program, which is reported as a separate plan in PERS financial statements. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2014, there were 85,431 active plan members, 1,195 inactive plan members or their beneficiaries currently receiving benefits, 3,652 inactive plan members entitled to but not yet receiving benefits, and 6,992 inactive plan members not eligible for refund or retirement, for a total of 97,270 OPSRP Pension Program members.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 5 – PENSION PLAN - continued

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

For the year ended June 30, 2015, the District's total payroll for all employees was \$960,044. Total covered payroll was \$870,784. Covered payroll refers to all compensation paid by the District to active employees covered by PERS.

Contributions

PERS members are required to contribute 6% of their salary and the employer makes contributions at an actuarially determined rate as adopted by the PERS Board. The rate for Tier I and Tier II for the year ended June 30, 2015 was 22.29% of covered annual payroll. The rate for OPSRP for the year ended June 30, 2015 was 20.29%. The contribution requirements of plan members are established by state statute. The employer contribution is set and may be amended by the Retirement Board. The District's contributions to Oregon PERS for the year ended June 30, 2015 was \$189,996. In addition, employee contributions for the years ended June 30, 2015 of \$53,045.

Pension Assets, Pension Income, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported an asset of \$447,449 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012. Update procedures were used to roll forward the total pension liability to the measurement date.

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. No change has been made to the District's proportionate share since the prior measurement date. The rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

The projected long-term contribution effort is estimated by projecting the present value of all future Normal Cost Rate Contributions (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 5 – PENSION PLAN – continued

An employer's PVFNC depends on both the Normal Cost Rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For PERS funding, employers have three different payrolls, each with a different Normal Cost Rate:

- Tier 1/Tier 2 payroll
- OPSRP General Service payroll
- OPSRP Police & Fire payroll

A UAL exists when Plan assets are less than the actuarial liability as measured by the Plan's actuarial funding valuations. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The UAL represents the portion of the projected long-term contribution effort related to past service. The projected long-term contribution effort is equal to the sum of the PVFNC and the UAL.

After the employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's supplemental lump-sum payments, known as side accounts, transition surpluses and pre-SLGRP (State and Local Government Rate Pool) surpluses. Side accounts decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

The employer's projected long-term contribution effort does not include contributions toward the current value of transition liabilities and pre-SLGRP (State and Local Government Rate Pool) liabilities, which PERS has determined meet the definition of separately financed employer liabilities.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 5 – PENSION PLAN – continued

For the year ended June 30, 2015, the District recognized pension income of \$593,215. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between projected and actual investment earnings	\$ 863,395	\$
Changes in employer proportion and differences between employer contributions and proportionate share of contributions		1,291
District contributions subsequent to the measurement date		189,966
Total	\$ 863,395	\$ 191,257

The \$189,966 of deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ (215,568)
2017	(215,568)
2018	(215,568)
2019	(215,568)
2020	167

Actuarial Assumptions

The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75 percent
Salary increases	3.75 percent, plus assumed rates of mortality/longevity increases
Investment rate of return	7.75 percent

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 5 – PENSION PLAN – continued

Mortality rates were based on the RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.

The actuarial assumptions used in the December 31, 2012 valuation were based on the results of an actuarial experience study for 2012, published September 18, 2013.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 7.75 percent. 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 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 5 – PENSION PLAN – continued

	Discount Rate	Proportionate Share of Net Pension Liability (Asset)
1% decrease	6.75%	\$ 947,535
Current discount rate	7.75%	(447,449)
1% increase	8.75%	(1,627,278)

Plan Fiduciary Net Position

Detailed information about PERS’s fiduciary net position is available in the separately issued Oregon Public Employees’ Retirement Plan financial report.

Changes in Plan Provisions Subsequent to Measurement Date

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

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

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year’s actuarial valuations. The impact of the Moro decision on the total pension liability and employer’s net pension liability (asset) has not been fully determined. However, PERS’ third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates have been rounded to the nearest \$10 million.

	Prior to Moro	After Moro (estimated)
Total pension liability	\$ 63,135.0	\$ 68,050.0
Fiduciary net position	65,402.0	65,400.0
Net pension liability (asset)	\$ (2,267.0)	\$ 2,650.0

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 6 – LONG-TERM LIABILITIES

The following summarizes long-term liability activity of the primary government for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 9,978	\$	\$ 4,114	\$ 5,864	\$

For governmental activities, compensated absences are liquidated by the general fund.

NOTE 7 – PROGRAMS FUNDED FROM OUTSIDE SOURCES

Reimbursement claims under federal and state program grants may be subject to further audit and adjustment by grantor agencies. Disallowed claims could become a liability of the General Fund. Any such amounts are not expected to be significant.

NOTE 8 – OPERATING LEASE

The District has entered into an operating lease for office equipment which is cancellable and subject to annual appropriations. For the reporting period, payments were \$3,204 for this lease. The lease supports governmental activities.

NOTE 9 - 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; injuries to employees; and natural disasters.

The District carries commercial insurance for risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Insurance coverage has not changed significantly from prior years.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 10 – ECONOMIC DEPENDENCY

The District’s revenue is comprised substantially of funds received from the State of Oregon State School Fund, which comprised of 71% of the District’s total revenue in the year ended June 30, 2015. The amount of revenue the District receives from the State School Fund is based on student attendance reported from the school districts serviced by the District and the level of funding allocated to education in the State of Oregon budget.

NOTE 11 – RESTATEMENT

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the fiscal year ended June 30, 2015. The net position of the District’s governmental activities has been restated to reflect the change in accounting principle. The impact of this restatement on net position is as follows:

	<u>Governmental Activities</u>
Net position at June 30, 2015, as previously reported	\$ 541,315
Restatement of beginning net position - adoption of GASB Statement No. 68	<u>(817,904)</u>
Net position at June 30, 2015, as restated	<u><u>\$ (276,589)</u></u>

The restatement had not effect on the fund balance at June 30, 2015.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2015

	Original Budget	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Local						
Property taxes	\$ 280,000	\$ 280,000	\$ 9,857	\$ 289,857	\$	\$ 289,857
Interest	3,200	3,200	494	3,694		3,694
Charges for service	226,000	226,000	2,741	228,741		228,741
Intergovernmental						
State	1,189,802	1,189,802	117,051	1,306,853		1,306,853
Total revenues	<u>1,699,002</u>	<u>1,699,002</u>	<u>130,143</u>	<u>1,829,145</u>		<u>1,829,145</u>
Expenditures						
Current						
Instruction	185,372	192,872	(21,203)	171,669		171,669
Support services	1,667,327	1,659,827	(93,274)	1,566,553		1,566,553
Operating contingency	293,000	293,000	(293,000)			
Total expenditures	<u>2,145,699</u>	<u>2,145,699</u>	<u>(407,477)</u>	<u>1,738,222</u>		<u>1,738,222</u>
Excess (deficiency) of revenues over (under) expenditures	(446,697)	(446,697)	537,620	90,923		90,923
Fund balance - beginning of year	446,697	446,697	(21,501)	425,196		425,196
Fund balance - end of year	<u>\$</u>	<u>\$</u>	<u>\$ 516,119</u>	<u>\$ 516,119</u>	<u>\$</u>	<u>\$ 516,119</u>

The adjustments column represents differences between Budget and GAAP bases of accounting. Oregon local budget law requires budgeting at the functional level, whereas GAAP requires additional classifications into capital outlay.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2015

	Original Budget	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Local						
Private contributions	\$	\$ 6,737	\$ (5,679)	\$ 1,058	\$	\$ 1,058
Intergovernmental						
State	10,500	20,500	(13,000)	7,500		7,500
Federal	5,352	5,352	9,500	14,852		14,852
Total revenues	15,852	32,589	(9,179)	23,410		23,410
Expenditures						
Current						
Support services	15,852	32,589	(9,179)	23,410		23,410
Total expenditures	15,852	32,589	(9,179)	23,410		23,410
Excess (deficiency) of revenues over (under) expenditures						
Fund balance - beginning of year						
Fund balance - end of year	\$	\$	\$	\$	\$	\$

The adjustments column represents differences between Budget and GAAP bases of accounting. Oregon local budget law requires budgeting at the functional level, whereas GAAP requires additional classifications into capital outlay.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

**SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)**

YEAR ENDED JUNE 30, 2015

Year Ended June 30,	(a) Employer's proportion of the net pension liability (asset) (NPL(A))	(b) Employer's proportionate share of the NPL(A)	(c) CAL's covered payroll	(b/c) NPL(A) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.019740 %	\$ (447,449)	\$ 870,784	-51.4%	103.6%
2014	0.019740 %	1,007,360	825,720	112.0%	92.0%

(A) The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

SCHEDULE OF CONTRIBUTIONS

YEAR ENDED JUNE 30, 2015

<u>Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
2015	\$ 189,966	\$ 189,966	\$	\$ 870,784	21.8%
2014	189,456	189,456		825,720	22.9%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT NO. 15

Jefferson County, Oregon

GENERAL FUND

SCHEDULE OF EXPENDITURES BY OBJECT

YEAR ENDED JUNE 30, 2015

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>	<u>Other</u>	<u>Total</u>	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
Expenditures								
Instruction-Special Programs								
Students with disabilities	\$ 105,429	\$ 66,240	\$	\$	\$	\$ 171,669	\$	\$
Total Instruction	<u>105,429</u>	<u>66,240</u>				<u>171,669</u>	<u>192,872</u>	<u>(21,203)</u>
Support Services-Students								
Attendance and social work services	23,174	22,680				45,854		
Psychological services	178,556	108,749	1,432	5,795		294,532		
Speech pathology and audiology services	324,443	210,192	40,899	5,371		580,905		
Service direction, student support services	45,975	24,702	28,783	11,952	150	111,562		
Support Services-Instructional Staff								
Instructional staff development	6,121	5,038				11,159		
Support Services-General Administration								
Board of Education services			18,067	61	9,273	27,401		
Executive administration services	33,216	16,581	6,651	1,994		58,442		
Support Services-Business								
Fiscal services	20,629	10,408	15,239	5,608	2,074	53,958		
Operation and maintenance of plant services			5,932	6,915	1,275	14,122		
Support Services-Central Activities								
Technology services	<u>220,701</u>	<u>120,872</u>	<u>2,701</u>	<u>24,344</u>		<u>368,618</u>		
Total Support Services	<u>852,815</u>	<u>519,222</u>	<u>119,704</u>	<u>62,040</u>	<u>12,772</u>	<u>1,566,553</u>	<u>1,659,827</u>	<u>(93,274)</u>
Contingency							<u>293,000</u>	<u>(293,000)</u>
Total expenditures	<u>\$ 958,244</u>	<u>\$ 585,462</u>	<u>\$ 119,704</u>	<u>\$ 62,040</u>	<u>\$ 12,772</u>	<u>\$ 1,738,222</u>	<u>\$ 2,145,699</u>	<u>\$ (407,477)</u>

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT NO. 15

Jefferson County, Oregon

SPECIAL REVENUE FUND

SCHEDULE OF EXPENDITURES BY OBJECT

YEAR ENDED JUNE 30, 2015

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>	<u>Other</u>	<u>Total</u>	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
Expenditures								
Support Services-Students								
Health services	\$	\$	\$ 1,058	\$	\$	\$ 1,058	\$	\$
Service direction, student support services	465					465		
Support Services-Instructional Staff								
Instructional staff development	1,335	10,400	2,652			14,387		
Support Services-Central Activities								
Grant writing			7,500			7,500		
Total Support Services	<u>1,800</u>	<u>10,400</u>	<u>11,210</u>			<u>23,410</u>	<u>32,589</u>	<u>(9,179)</u>
Total expenditures	<u>\$ 1,800</u>	<u>\$ 10,400</u>	<u>\$ 11,210</u>	<u>\$</u>	<u>\$</u>	<u>\$ 23,410</u>	<u>\$ 32,589</u>	<u>\$ (9,179)</u>

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2015

Tax Year	Beginning Receivable and 2014-15 Levy	Adjustments	Interest (Discount)	Collections	Ending Receivable
Jefferson County					
2014-15	\$ 289,148	\$ (413)	\$ (7,011)	\$ 272,176	\$ 9,548
2013-14	9,989	(64)	421	5,578	4,768
2012-13	5,999	(40)	607	3,599	2,967
2011-12	3,954	(35)	791	3,334	1,376
2010-11	2,267	(40)	749	2,711	265
2009-10	155	(39)	26	72	70
2008-09	114	(16)	14	35	77
Prior	265		26	57	234
Total Jefferson County	311,891	(647)	(4,377)	287,562	19,305
Wasco County					
2014-15	4,982		(120)	4,667	195
2013-14	200	(1)	8	93	114
2012-13	121	(2)	10	58	71
2011-12	70		14	59	25
2010-11	29	(1)	7	23	12
2009-10	7	(1)	2	6	2
2008-09	5	(1)	2	6	
Prior	2	(1)			1
Total Wasco County	5,416	(7)	(77)	4,912	420
Total all counties	\$ 317,307	\$ (654)	\$ (4,454)	292,474	\$ 19,725
Less taxes accrued June 30, 2014				(5,432)	
Add taxes accrued June 30, 2015				2,422	
Adjustments-various				393	
Total tax revenue				\$ 289,857	
			Current	\$ 278,040	
			Prior	11,817	
				\$ 289,857	

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

SUPPLEMENTAL INFORMATION FOR OREGON DEPARTMENT OF EDUCATION

YEAR ENDED JUNE 30, 2015

Item A: Total expenditures for electricity and heating fuel (gas, oil and coal) for the following two functions, for all funds, were as follows:

<u>Function</u>	
2540	\$ 2,516
2550	\$ -0-

Item B: General Fund expenditures for replacement of equipment (Object 542) for all functions were \$0.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Federal Grantor Pass through Grantor	Program Title	Grant Period	CFDA Number	Expenditures
<u>U.S. Department of Education</u>				
Passed through State Department of Education				
	Special Education-Grants to States-SG 18281	2014-15	84.027	\$ 4,452
	Special Education-State Personnel Development	2014-15	84.323	<u>10,400</u>
				<u>\$ 14,852</u>

Notes to Schedule:

1. The District follows the modified accrual basis of accounting in preparing this schedule. This method is consistent with preparation of the District's financial statements.
2. No amounts listed above were provided to sub-recipients.

**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS**



INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Jefferson County Education Service District
Jefferson County, Oregon

We have audited the basic financial statements of Jefferson County Education Service District, Jefferson County, Oregon (the District) as of and for the year ended June 30, 2015, and have issued our report thereon dated October 26, 2015. 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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).

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Authorized investment of surplus funds (ORS Chapter 294).

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS - continued

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's 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/council members/commissioners and management of the District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Brenda Bartlett, CPA
SGA Certified Public Accountants & Consultants, LLP

October 26, 2015