

NEWBERG SCHOOL DISTRICT NO. 29J

NEWBERG, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



**12700 SW 72nd Ave.
Tigard, OR 97223**

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

Annual Financial Report

Year Ended June 30, 2016

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NEWBERG SCHOOL DISTRICT NO. 29J

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NEWBERG SCHOOL DISTRICT NO. 29J

BOARD OF DIRECTORS

JUNE 30, 2016

<u>Name</u>	<u>Term Expires</u>
Melinda Van Bossuyt	June 30, 2019
Todd Thomas, Chair	June 30, 2017
Ron Mock	June 30, 2017
Polly Peterson, Vice Chair	June 30, 2019
Bob Woodruff	June 30, 2019
Mindy Allison	June 30, 2019
Debbie Hawblitzel	June 30, 2019

Board members receive mail at the address below.

DISTRICT ADMINISTRATION

Dr. Kym LeBlanc-Esparza, Superintendent

DISTRICT ADDRESS

714 East Sixth Street
Newberg, Oregon 97132

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12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 30, 2016

**To the Board of Directors
Newberg School District No. 29J
Yamhill County, Oregon**

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newberg School District No. 29J, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 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, each major fund, and the aggregate remaining fund information of Newberg School District No. 29J, as of June 30, 2016, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 72 – Fair Value Measurement and Application for the year ended June 30, 2016. 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, and required supplementary information, 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of federal expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, have 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.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 30, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

As management of Newberg School District 29J (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

In the government-wide statements, the assets of the District exceeded its liabilities and deferred inflows of resources on June 30, 2016, by \$19,959,499. Of this amount, \$49,437,746 represents the District's net investment in capital assets; \$ 2,082,904 is restricted for debt service and the District's total net position decreased by \$1,939,581. Reporting of other post-employment benefits, land acquisition, general obligation bonds and notes payable are reflected in the unrestricted assets of (\$33,120,518).

The District's governmental funds report displays a combined ending fund balance of \$6,237,658 an increase of \$916,663 when compared to the prior year.

At the end of the fiscal year, the unassigned fund balance for the General Fund was \$1,222,433 (2.6%) of the General Fund Revenues).

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains 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 private-sector businesses. The 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 the liabilities have been paid or otherwise satisfied. 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

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 position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

In the government-wide financial statements, the District's activities are shown in one category:

Governmental activities. Most of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration and facilities acquisition and construction. The activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The government-wide financial statements can be found on pages 14 and 16 of this report.

Fund financial statements

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

Governmental funds

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

The District maintains 10 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, Federal and State Grants, Debt Service and Capital Projects Funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided as supplemental information.

The basic governmental funds financial statements are listed on pages 13 and 15 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

The basic fiduciary fund financial statements can be found on pages 18 and 19 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are listed on pages 20-41 of this report.

Other Information

In addition to the basic financial statement and accompanying notes, this report also presents certain *required supplemental information* concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information is found on page 33 to 39 of this report.

The combining statements, referred to earlier in connection with non-major governmental funds, are presented as supplemental information on page 44 & 46 of this report.

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, as of June 30, 2016, assets exceeded liabilities and deferred inflows of resources by \$ 19,959,499.

Capital assets consist of the District's land, buildings, and building improvements, construction in progress, vehicles and equipment and represent about 87% of total assets. Cash and investments equate to 5% of total assets. Other assets, representing about 7% of the District's total assets, consist of receivables resulting from timing issues of payments which are due but have not been received and supply inventory in the Food Service Fund.

The District's largest liability (95%) is for the repayment of General Obligation and Pension Bonds. Other liabilities, representing about 5% of the District's total liabilities, consist of payables on account, salaries and benefits, other post-employment benefits, unearned revenue, and accrued interest payable.

The District's Deferred Inflows of Resources consist of net deferred pension cost of \$2,265,119 and a gain on the bond refunding of \$143,332.

Other assets consist of receivables (\$6,539,589) which are the result of timing issues, payments which are due but have not been received. In the Food Service Fund the supply inventory of (\$96,190) is supplies on hand at year end.

A portion (\$49,437,746) of the District's net position which reflects its net investment in capital assets (e.g. land, buildings, vehicles and equipment), less any related debt used to acquire those assets that are outstanding. The District uses these capital assets to provide services to students and other District residents. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, the resources needed to repay the general obligation bond portion of this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

Net Position

ASSETS	Governmental Activities		Increase (Decrease) From Fiscal 2015
	2016	2015	
Current and other assets	\$11,630,406	\$10,416,773	\$1,213,633
Prepaid Expenses	\$76,146	-	-
Net Pension Asset	-	\$3,580,180	\$(3,508,180)
Capital assets	\$80,955,703	\$83,407,568	\$(2,451,865)
Total Assets	\$92,662,255	\$97,404,521	\$(4,742,266)
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferral	1,808,841	-	(1,808,841)
LIABILITIES			
Current liabilities	\$3,586,473	\$3,332,290	\$254,183
Unearned Revenue	\$2,000	\$2,000	-
Net Pension Liability	\$10,004,093	-	\$10,004,093
Long-term debt	\$58,510,580	\$67,073,073	\$(8,562,493)
Total liabilities	\$72,103,146	\$70,407,363	\$1,695,783
DEFERRED INFLOWS OF RESOURCES			
Gain on Refunding	\$143,332	\$167,221	\$(23,889)
Net deferred pension asset	\$2,265,119	\$4,930,857	\$(2,665,738)
Total deferred inflow of resources	\$2,408,451	\$5,098,078	\$(2,689,627)
NET POSITION			
Net Investment in capital assets	\$49,437,746	\$44,183,619	\$5,254,127
Restricted	\$3,642,271	\$1,657,925	\$1,984,346
Unrestricted	\$(33,120,518)	\$(23,942,464)	\$(9,178,054)
Total Net Position	\$19,959,499	\$21,899,080	\$(1,939,581)

During the current fiscal year, the District's net position decreased by \$1,939,581. Current assets increased by \$1,213,633 and the District's net investment in capital assets increased by \$5,254,127

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

Revenue	Governmental Activities		Increase (Decrease) From Fiscal 2015
	2016	2015	
Program Revenues			
Charges for Services	\$1,749,954	\$1,777,524	\$(27,570)
Operation Grants and Contributions	\$4,459,145	\$4,031,230	\$427,915
General Revenues			
Property Taxes	\$24,537,907	\$22,464,294	\$2,073,613
State School Fund General Support	\$29,586,009	\$28,786,370	\$799,639
Other State and Local Sources	\$3,642,243	\$3,192,209	\$450,034
Earnings on Investment	\$108,913	\$80,292	\$28,621
Sale of Capital Asset	-	\$10,200	\$(10,200)
Transfer to Fiduciary Fund	\$(1,675)	\$(11,000)	\$9,325
Miscellaneous Revenue	\$24,762	\$22,845	\$1,917
Total Revenues	\$64,107,258	\$60,353,964	\$3,753,294
Expenses			
Instruction	\$38,449,627	\$27,006,331	\$11,443,296
Support Services	\$21,771,026	\$16,463,901	\$5,307,125
Enterprise and Community Services	\$2,485,690	\$1,800,687	\$685,003
Interest on Long Term Debt	\$3,340,496	\$3,501,290	\$(160,794)
Total Expenses	\$66,046,839	\$48,772,209	\$17,274,630
Changes in Net Position	\$(1,939,581)	\$11,581,755	\$(13,521,336)
Net Position – July 1	\$21,899,080	\$10,317,325	\$11,581,755
Net Position – June 30	\$19,959,499	\$21,899,080	\$(1,939,581)

Governmental activities

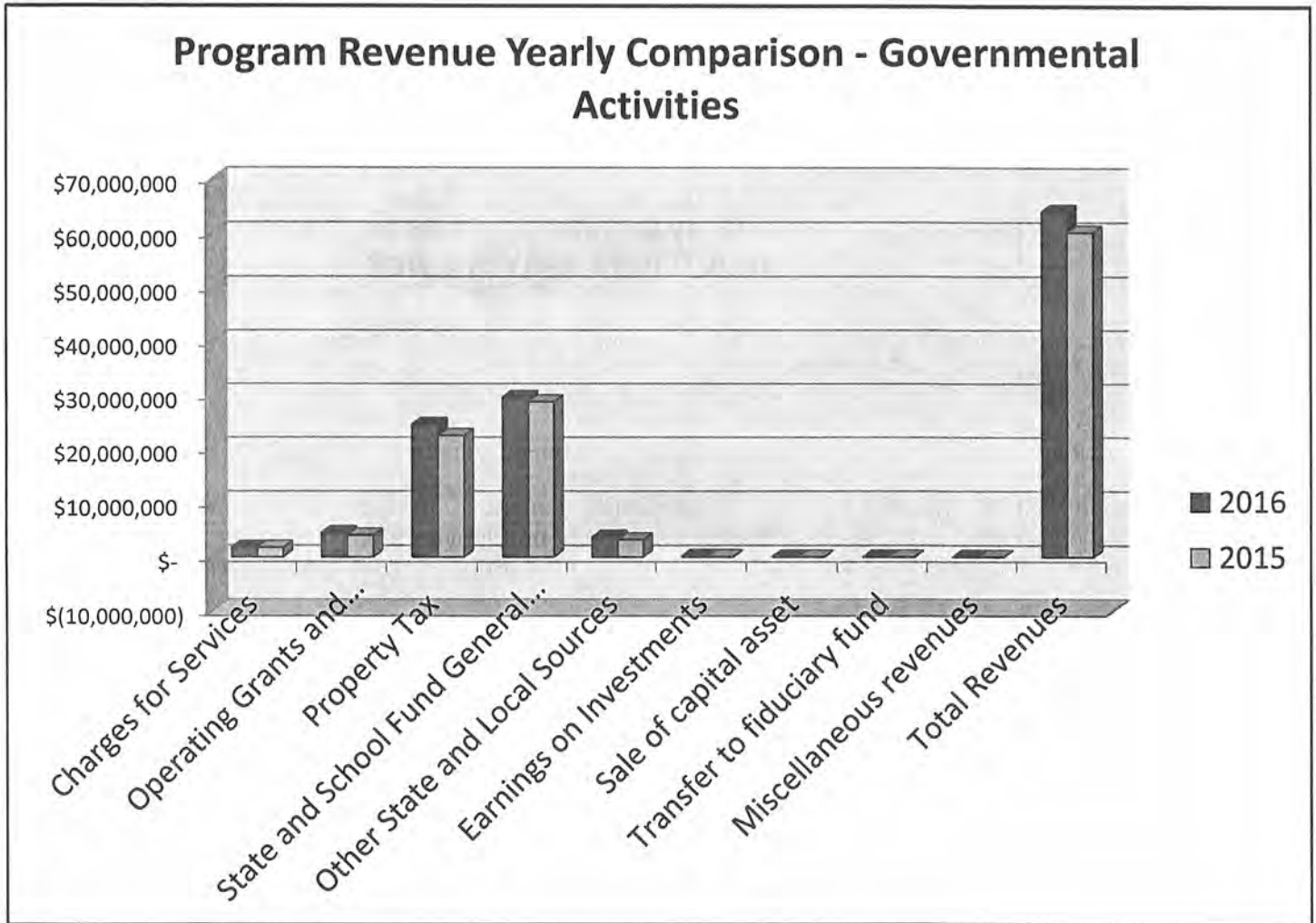
During the current fiscal year, the District's net position showed an decrease of \$1,939,581. Key elements of change in net position for the year ended June 30, 2016, are as follows:

- Property tax revenue increased by \$2,073,613 due to the slight increases in assessed value.
- State School Fund increased by \$799,639 or 2.7% as state revenue has increased as state economic factors have been more favorable. However, the last three (3) fiscal

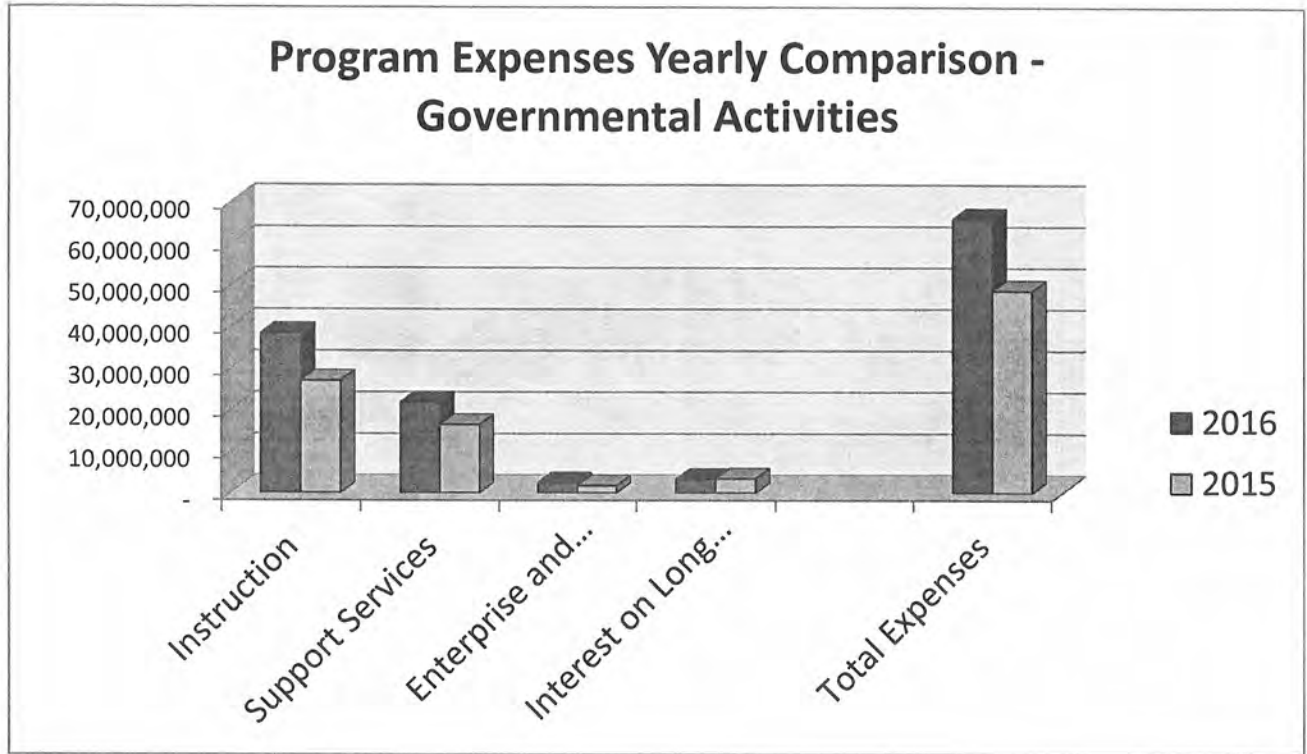
**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

years total support from the State School Fund has continued to offer unsatisfactory increases.

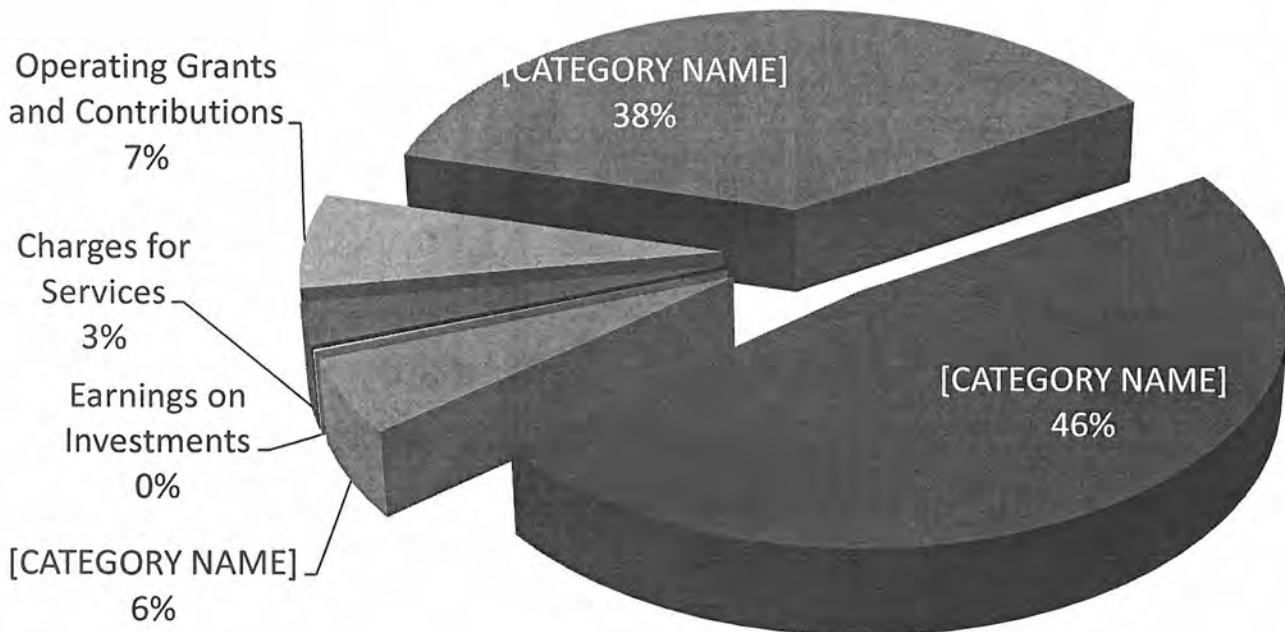
- Earnings on investments increased by \$28,621 due to the increase in our revenues.
- Governmental program expenses increased by \$17,274,630 due to the increase in employee contracted payroll and associated cost increases, other factors include costs of utilities and pupil transportation.



**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**



2016 Revenue by Source - Governmental Activities



**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

As of June 30, 2016, the District's governmental funds reported combined ending fund balances of \$6,237,658 an increase of \$916,663 in comparison with the prior year. \$1,222,433 (20%) constitutes unassigned ending fund balance that is available for spending at the District's discretion. An additional \$2,082,904 (33%) of fund balance is specifically identified for debt service obligations.

General Fund

The General Fund is the chief operating fund of the District. As of June 30, 2016, unassigned fund balance was \$1,222,433. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 2.5% of total General Fund expenditures. Due to changes in GASB rules (#54), other funds with the primary revenue source as the general fund shall now be included in the General Fund ending balance. Thus, it should be noted that the listed fund balance of the General Fund in the Governmental Funds report is listed as \$1,265,927, \$43,494 more than is identified as the district's General Operating Fund.

The fund balance decreased by \$599,076 during the current fiscal year. Local property tax revenue increased by \$428,986 (3%) due to increased assessment valuations, housing starts, existing home renovation, and new and vacant home purchases. Given the state of the housing market concern still remains regarding the Measure 50 assessed value growth permitted (3%) and the compression due to market values dropping to or below properties' assessed values.

Debt Service Fund

The Debt Service Fund has a total fund balance of \$1,857,007 all of which is for the payment of debt service. The net increase in the fund balance during the current year was \$1,448,934.

Capital Projects Fund

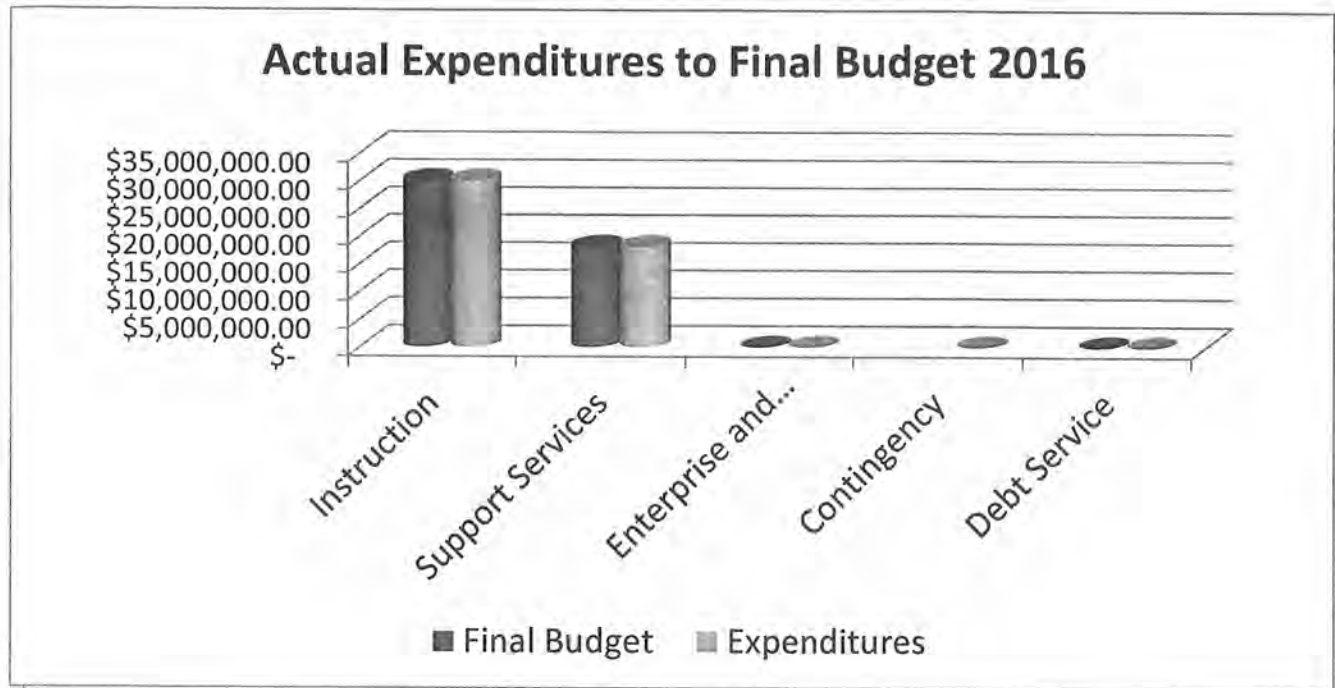
The Capital Projects Fund has a total fund balance of \$1,200,618 designated for bond-related capital improvement, ongoing capital projects and related service. The fund balance decreased by \$526,021 during the current fiscal year due to the ongoing completion of construction projects using bond funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, as shown in the chart on the next page, all General Fund expenditures were within budget.

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)



Capital Assets. The District's investment in capital assets includes land, buildings, building improvements, and equipment. As of June 30, 2016, the District invested \$80,955,703 in capital assets net of depreciation as shown in the following table:

Capital Assets (Net of depreciation) June 30, 2016

During the year, the District's investment in capital assets, less accumulated depreciation, decreased by \$2,451,865

	Governmental Activities		Increase (Decrease) From 2015
	2016	2015	
Land	\$3,862,820	\$3,862,820	-
Improvements	\$1,223,562	\$1,223,562	-
Building Improvements	\$120,624,521	\$120,624,521	-
Equipment	\$2,193,177	\$2,137,583	\$55,594
Construction in Progress	-	-	-
Accumulated Depreciation	\$(46,948,377)	\$(44,440,918)	\$(2,507,459)
Total	\$80,955,703	\$83,407,568	\$(2,451,865)

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

LONG-TERM DEBT

The District's long-term debt decreased \$8,562,493 as a result of scheduled payments.

Please see note 5. Long Term Debt, in the *Notes to the Basic Financial Statements* for further information.

Salary and benefits costs are expected to increase in 2016-17.

District attendance growth is expected to be generally flat with relative minimal shrinkage over the next five years.

The District's Budget Committee and School Board will consider these factors while preparing the District's budget for the 2016-2017 fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factors for the District are the State of Oregon's State School Fund and the assessed value growth of Property Taxes. For the year ended June 30, 2016, the State School Fund – General Support provided 51% of the total District-sponsored program resources. Due to a slight improvement to the state economy, revenue projections are beginning to show an increase in the 2015-2017 biennium. General fund property tax receipts to the general fund increased 9.7% in 2015-16. The District continues to monitor local, state and Federal economic factors.

REQUESTS FOR INFORMATION

The financial report is designed to present the citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Director of Finance and Operations at 714 E. Sixth Street, Newberg, Oregon, 97132 (503) 554-5000.


Dr. Kym Le Blanc-Esparza
Superintendent
Newberg Public Schools

BASIC FINANCIAL STATEMENTS

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NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Pooled cash and investments	\$ 4,994,627
Receivables	6,539,589
Prepays	76,146
Supply inventory	96,190
Capital assets:	
Not being depreciated	3,862,820
Being depreciated, net of accumulated depreciation	<u>77,092,883</u>
TOTAL ASSETS	<u>92,662,255</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Pension related deferral	<u>1,808,841</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,808,841</u>
<u>LIABILITIES:</u>	
Accounts payable	830,926
Accrued payroll, payroll taxes and employee withholdings	2,518,756
Accrued interest payable	59,464
Net pension liability	10,004,093
Unearned revenue	2,000
Accrued compensated absences payable	177,327
Long-term debt:	
Due within one year	8,927,922
Due in more than one year	<u>49,582,658</u>
TOTAL LIABILITIES	<u>72,103,146</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Gain on refunding	143,332
Net deferred pension asset	<u>2,265,119</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,408,451</u>
<u>NET POSITION:</u>	
Net investment in capital assets	49,437,746
Restricted for:	
Debt Service	2,082,904
Programs	1,346,328
Scholarships and Donations	213,039
Unrestricted	<u>(33,120,518)</u>
TOTAL NET POSITION	<u>\$ 19,959,499</u>

See notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 38,449,627	\$ 227,467	\$ 2,537,910	\$ (35,684,250)
Support services	21,771,026	970,433	319,602	(20,480,991)
Enterprise and community services	2,485,690	552,054	1,601,633	(332,003)
Long term debt interest	3,340,496	-	-	(3,340,496)
Total	<u>\$ 66,046,839</u>	<u>\$ 1,749,954</u>	<u>\$ 4,459,145</u>	<u>(59,837,740)</u>

GENERAL REVENUES:

Property taxes levied for general purposes	14,504,512
Property taxes levied for debt service	10,033,395
State school fund - general support	29,586,009
Unrestricted state, intermediate, and local sources	3,642,243
Earnings on investments	108,913
Transfer to fiduciary fund	(1,675)
Miscellaneous revenue	24,762
Total general revenues	<u>57,898,159</u>

CHANGE IN NET POSITION (1,939,581)

NET POSITION, Beginning 21,899,080

NET POSITION, Ending \$ 19,959,499

See notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2016

	General Fund	Federal and State Grants Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
ASSETS						
Equity in pooled cash	\$ 4,442,666	\$ -	\$ -	\$ -	\$ 551,961	\$ 4,994,627
Receivables:						
Taxes	1,317,474	-	915,191	-	-	2,232,665
Accounts	1,601,125	-	393,004	-	234,405	2,228,534
Grants	-	2,078,390	-	-	-	2,078,390
Prepays	43,494	-	-	-	32,652	76,146
Due from other funds	-	-	1,415,356	1,200,618	1,029,120	3,645,094
Supply inventory	-	-	-	-	96,190	96,190
TOTAL ASSETS	\$ 7,404,759	\$ 2,078,390	\$ 2,723,551	\$ 1,200,618	\$ 1,944,328	\$ 15,351,646
LIABILITIES						
LIABILITIES:						
Accounts payable	\$ 830,926	\$ -	\$ -	\$ -	\$ -	\$ 830,926
Due to other funds	1,538,482	2,076,390	-	-	30,222	3,645,094
Accrued payroll, payroll taxes and employee withholdings	2,518,756	-	-	-	-	2,518,756
Unearned revenue	-	2,000	-	-	-	2,000
TOTAL LIABILITIES	4,888,164	2,078,390	-	-	30,222	6,996,776
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Taxes	1,250,668	-	866,544	-	-	2,117,212
TOTAL DEFERRED INFLOWS OF RESOURCES	1,250,668	-	866,544	-	-	2,117,212
FUND BALANCES:						
Nonspendable	43,494	-	-	-	128,842	172,336
Restricted for:						
Debt Service	-	-	1,857,007	-	225,897	2,082,904
Programs	-	-	-	-	1,346,328	1,346,328
Scholarships and Donations	-	-	-	-	213,039	213,039
Assigned for special projects	-	-	-	1,200,618	-	1,200,618
Unassigned	1,222,433	-	-	-	-	1,222,433
TOTAL FUND BALANCES	1,265,927	-	1,857,007	1,200,618	1,914,106	6,237,658
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,404,759	\$ 2,078,390	\$ 2,723,551	\$ 1,200,618	\$ 1,944,328	\$ 15,351,646

See notes to the basic financial statements

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION**

June 30, 2016

FUND BALANCES		\$	6,237,658
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	127,904,080	
Accumulated depreciation		<u>(46,948,377)</u>	80,955,703
The proportionate share of the net pension liability is not reported as an liability in the governmental funds			(10,004,093)
The net deferred pension asset is not reported as a deferred inflow in the governmental funds.			(2,265,119)
The pension related deferrals is not reported as a deferred outflow in the governmental funds.			1,808,841
A portion of the District's revenues are collected after year-end, but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.			2,117,212
Long-term liabilities and associated costs 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 consist of:			
Accrued interest payable		(59,464)	
Accrued compensated absences payable		(177,327)	
Other post employment benefits		(2,117,223)	
Long-term debt		(56,355,887)	
Unamortized premiums		(37,470)	
Unamortized gain on refunding		<u>(143,332)</u>	<u>(58,890,703)</u>
TOTAL NET POSITION		\$	<u>19,959,499</u>

See notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	General Fund	Federal and State Grants Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
REVENUES:						
Local sources	\$ 15,317,815	\$ -	\$ 10,066,422	\$ 9,143	\$ 5,343,802	\$ 30,737,182
Intermediate sources	1,746,287	128,292	-	-	-	1,874,579
State sources	30,395,746	106,657	-	-	50,937	30,553,340
Federal sources	74,770	2,281,368	-	-	1,616,528	3,972,666
Total revenues	47,534,618	2,516,317	10,066,422	9,143	7,011,267	67,137,767
EXPENDITURES:						
Current:						
Instruction	30,048,581	1,906,098	-	370,936	1,083,137	33,408,752
Support services	18,069,116	545,709	-	161,478	140,468	18,916,771
Enterprise and community services	172	64,510	-	-	2,095,126	2,159,808
Facilities acquisition and construction	-	-	-	2,750	-	2,750
Capital Outlay	57,835	-	-	-	2,583	60,418
Debt service	11,909	-	8,617,488	-	3,121,889	11,751,286
Total expenditures	48,187,613	2,516,317	8,617,488	535,164	6,443,203	66,299,785
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(652,995)	-	1,448,934	(526,021)	568,064	837,982
OTHER FINANCING SOURCES (USES):						
Capital lease proceeds	55,594	-	-	-	-	55,594
Transfers out	(1,675)	-	-	-	-	(1,675)
Total other financing sources (uses)	53,919	-	-	-	-	53,919
NET CHANGE IN FUND BALANCES	(599,076)	-	1,448,934	(526,021)	568,064	891,901
Change in Inventory Reserve	-	-	-	-	24,762	24,762
FUND BALANCES, Beginning	1,865,003	-	408,073	1,726,639	1,321,280	5,320,995
FUND BALANCES, Ending	\$ 1,265,927	\$ -	\$ 1,857,007	\$ 1,200,618	\$ 1,914,106	\$ 6,237,658

See notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

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

YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCES	\$	891,901
<p>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 outlay exceeded depreciation:</p>		
Capital additions, net	\$ 55,594	
Depreciation	<u>(2,507,459)</u>	(2,451,865)
<p>Long-term debt principal payments and deletions are recorded as expenditures in the governmental funds but reduce the liability in the Statement of Net Position.</p>		
Debt payments, net	8,396,846	
Debt issuance	(55,594)	
Early retirement reduction	<u>2,000</u>	8,343,252
<p>Other post employment benefits are recognized as expenditure in the governmental funds when they are paid. In the Statement of Activities these liabilities are recognized as an expenditure when incurred.</p>		
OPEB Liability Change		(69,042)
<p>Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts amortized in the Statement of Activities:</p>		
Amortization of bond premium, net	288,283	
Amortization of gain on refunding	<u>23,889</u>	312,172
<p>The pension expense represents the change in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of the pension plan net position available to pay pension benefits.</p>		
		(9,109,694)
<p>In the Statement of Activities interest is accrued on long-term debt whereas in the governmental funds it is recorded as an expenditure when paid.</p>		
		13,944
<p>Some revenues do not meet the measurable and available criteria and are not recognized as revenue in the current year in the governmental funds.</p>		
		132,599
<p>Inventory in the Statement of Activities differs from the amount reported in the governmental funds because inventory is recognized as an expenditure in the funds when it is purchased, and thus requires the use of current financial resources. In the Statement of Activities, however, inventory is recognized when actually used.</p>		
		24,762
<p>Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expense when earned.</p>		
		<u>(27,610)</u>
CHANGE IN NET POSITION	\$	<u>(1,939,581)</u>

See notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

FIDUCIARY FUND

STATEMENT OF NET POSITION

June 30, 2016

	<u>Pension Trust Fund</u>
ASSETS:	
Due from General Fund	\$ -
NET POSITION:	
Net assets held in trust for pension benefits	\$ -

See notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

FIDUCIARY FUND

STATEMENT OF CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

	<u>Pension Trust Fund</u>
ADDITIONS:	
Transfer from General Fund	<u>\$ 1,675</u>
	1,675
DEDUCTION:	
Employee benefits	<u>2,153</u>
	(478)
DECREASE IN NET POSITION	
NET POSITION, Beginning	<u>478</u>
NET POSITION, Ending	<u><u>\$ -</u></u>

See notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Newberg School District No. 29J (the District) is a municipal corporation governed by an elected seven-member Board of Directors. Administrative officials are approved by the Board. The daily functioning is under the supervision of the Superintendent.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental entities and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units, as defined by the Governmental Accounting Standards Board (GASB) Statement 61, or included in these basic financial statements.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the governmental financial activities of the overall District, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed through property taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function/program. Direct expenses are those that are specifically associated with a function/program and, therefore, are clearly identifiable to that function/program. Indirect expenses are not allocated. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies or services provided and (2) operating grants and contributions. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

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

Fund Financial Statements

The fund financial statements provide information about the funds including those of a fiduciary nature. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The following major funds are reported:

General Fund – The General Fund is the primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund. Major sources of revenue are property taxes and state school support.

Federal and State Grants Fund – The Federal and State Grants Fund accounts for revenues and expenditure of grants restricted for specific educational projects. The principal revenue source is federal and state grants.

Debt Service Fund - This fund accounts for the debt service payments on bonded debt. The primary revenue source is property taxes.

Capital Projects Fund – This fund accounts for financial resources to be used in the acquisition, construction, or replacement of facilities and other major capital equipment. The principal resources are bond proceeds.

Additionally, the following fund types are reported:

Other Governmental Funds – These funds account for the expenditures and revenues of the remaining non-major governmental funds.

Pension Trust Fund – This fiduciary fund accounts for the accumulation of resources to be used for the payment of early retirement benefits. Resources are contributed by the General Fund.

Measurement Focus and Basis of Accounting

Government-wide and fiduciary fund 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 liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which value is received 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. Under terms of grant agreements, certain programs are funded by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions, and principal and interest on general long-term debt, are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Use of Estimates

The preparation of basic 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 items. These can include the amounts of assets, liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expense/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Investments

The 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.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Property Taxes

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

Uncollected taxes are deemed by management 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.

Receivables

Receivables represent amounts due for unreimbursed expenditures from grantor agencies, interest and property taxes. Grant revenues are recorded at the time eligible expenditures are incurred. Grant revenues received prior to the occurrence of qualifying expenditures are recorded as unearned income. All receivables are due within the next fiscal year and are considered by management to be collectable therefore no allowance for doubtful accounts has been established.

Supply Inventories

Inventories are stated at average cost. Donated commodities are stated at fair value. Commodities on hand at year end are recorded as unearned revenues. Inventory is charged as an expense when used in the government wide financial reporting. In the governmental funds inventory is charged as an expense when purchased.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed, or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. 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:

Land improvements	20-30 years
Buildings and improvements	20-65 years
Equipment	5-10 years

Compensated Absences

Policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Bonds payable are reported net of the applicable bond premiums, discounts and gain on refunding.

In the fund financial statements, bond premiums, discounts, and gain on refunding are recognized when incurred. The face amount of the debt issued, premiums, discounts and gain on refunding on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories.

Invested in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – consists of all other net position items that are not included in the other categories previously mentioned.

Fund Balance

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

There were no committed fund balances at year end.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans

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

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. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

Budget

In accordance with Oregon Local Budget Law, a budget is prepared and legally adopted for each fund on the modified accrual basis of accounting. The budgetary basis of accounting for the governmental fund types is the same basis as generally accepted in the United States of America except capital outlay is expensed when purchased, debt is expensed when paid, depreciation and amortization is not recorded, taxes are recorded when received instead of when levied, compensated absences are recorded as an expense when paid, debt is recorded as an expense when paid, inventories are expensed when purchased and contributions to the Pension Trust Fund are budgeted as transfers.

The budgeting process begins by appointing budget committee members in early fall of each year. Budget recommendations are developed through early spring and the Budget Committee and the Board of Directors approves the budget in late spring. Public notices of the budget hearing are generally published in early June and the public hearing is held in late June. The budget is adopted, appropriations are made, and the tax levy is declared not later than June 30. Expenditure budgets are appropriated at the major function level (instruction, supporting services, enterprise and community services, facilities acquisition and construction, contingency and other uses) for each fund.

Appropriations may not be legally overexpended, except in the case of grant receipts, which could not be reasonably estimated at the time the budget was adopted.

Management must obtain Board of Directors authorization for all appropriation transfers and supplemental budgets. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular Board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of Directors. Appropriations lapse at the end of each fiscal year.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2016 except for the following: General Fund – Debt Service by \$11,909 and Special Revenue Fund – Support Services by \$34,245.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflows/inflows of resources

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(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. There is a deferred outflow on the Statement of Net Position for the pension related deferrals.

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arise only under a modified accrual basis of accounting, which 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. The government has two types of items, which arise under full accrual accounting in the Statement of Net Position. The Statement of Net Position reports unavailable revenue from a Gain on Refunding resulting from the refunding of long term debt as well as a Net Deferred Pension Asset resulting from pension plan actuarial valuations and contributions subsequent to the measurement date.

2. POOLED CASH AND INVESTMENTS

A common cash, cash equivalents and investment pool is maintained for all funds. Investment types are restricted by State of Oregon statutes. Authorized investments include general obligations of the United States Government and its agencies, obligations of the States of Oregon, California, Washington and Idaho that have a rating of AA or better, A-1 commercial paper and banker's acceptances, AA rated corporate bonds, time deposits, repurchase agreements and the State of Oregon Treasurer's Local Government Investment Pool.

At June 30, 2016, the pooled cash and investments are comprised of the following:

Demand Deposits	\$	1,328,042
Local Government Investment Pool		<u>3,666,585</u>
Total	\$	<u><u>4,994,627</u></u>

Deposits with Financial Institutions

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

2. POOLED CASH AND INVESTMENTS (Continued)

Interest Rate Risk

There is no formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from interest rate changes.

Credit Risk

As mentioned above Oregon Revised Statutes limit the type of investments. There was compliance with these statutes at June 30, 2016. There is no investment policy that would further limit investment choices.

The State of Oregon Treasurer's Local Government Investment Pool is unrated.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 3 months</u>	<u>More than 3 months</u>
State Treasurer's Investment Pool	\$ 3,666,585	\$ 3,666,585	\$ -
Total	\$ 3,666,585	\$ 3,666,585	\$ -

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and 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 fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

2. POOLED CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, the bank balance was \$1,402,845, of which \$415,702 was fully FDIC insured, and the remaining was collateralized in accordance with Oregon Law.

3. RECEIVABLES

Receivables are comprised of the following:

Property taxes	\$ 2,232,665
Trade and other	<u>4,306,924</u>
	<u>\$ 6,539,589</u>

The receivables are considered fully collectible by management so no allowance for doubtful accounts has been made.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 3,862,820	\$ -	\$ -	\$ 3,862,820
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,862,820</u>	<u>-</u>	<u>-</u>	<u>3,862,820</u>
Capital assets being depreciated:				
Land improvements	1,223,562	-	-	1,223,562
Buildings and improvements	120,624,521	-	-	120,624,521
Equipment	<u>2,137,583</u>	<u>55,594</u>	<u>-</u>	<u>2,193,177</u>
Total capital assets being depreciated	<u>123,985,666</u>	<u>55,594</u>	<u>-</u>	<u>124,041,260</u>
Less accumulated depreciation for:				
Land Improvements	968,128	38,503	-	1,006,631
Buildings and improvements	41,723,170	2,405,412	-	44,128,582
Equipment	<u>1,749,620</u>	<u>63,544</u>	<u>-</u>	<u>1,813,164</u>
Total accumulated depreciation	<u>44,440,918</u>	<u>2,507,459</u>	<u>-</u>	<u>46,948,377</u>
Total capital assets being depreciated, net	<u>79,544,748</u>			<u>77,092,883</u>
Total capital assets, net	<u>\$ 83,407,568</u>			<u>\$ 80,955,703</u>

Depreciation expense for the year was charged to the following functions/programs:

Instruction:	\$ 1,518,575
Support services:	887,549
Enterprise and community services:	<u>101,335</u>
Total	<u>\$ 2,507,459</u>

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

5. LONG-TERM DEBT

Bonded debt has been issued for the construction of facilities and payment of unfunded pension costs. Also there is a loan payable for energy conservation. General obligation bonds are payable from ad valorem property taxes, limited tax pension bonds from State sources and loans payable from local resources. At June 30, 2016 long-term debt is comprised of:

Bonds payable	\$ 55,514,887
Loans payable	797,315
Bond premium	37,470
Capital lease payable	43,685
OPEB Liability	<u>2,117,223</u>
	<u>\$ 58,510,580</u>

Changes in long-term debt for the year are as follows:

	<u>Outstanding July 1, 2015</u>	<u>Issued</u>	<u>Redeemed and Matured</u>	<u>Outstanding June 30, 2016</u>
2011 general obligation bond; original issue \$27,140,000; interest from 2.0% to 4.0% \$46,300,000; interest from 3.0% to 5.25%	\$ 17,815,625	\$ -	\$ 2,680,000	\$ 15,135,625
2005 general obligation refunding bonds; original issue \$35,645,000; interest from 3.00% to 5.35%	20,060,000	-	4,700,000	15,360,000
2003 limited tax pension bonds; original issue \$34,639,019; interest from 5.45% to 5.63%	25,966,164	-	946,902	25,019,262
2013 SELP loan payable; various interest rates; original issue \$1,001,591.	855,350	-	58,035	797,315
2016 Capital lease payable; 3.50% interest rate; original issue \$55,594.	-	55,594	11,909	43,685
Early Retirement Obligation	2,000	-	2,000	-
	<u>64,699,139</u>	<u>55,594</u>	<u>8,398,846</u>	<u>56,355,887</u>
Bond premium	325,753	-	288,283	37,470
OPEB Liability - Insurance	2,048,181	69,042	-	2,117,223
	<u>67,073,073</u>	<u>\$ 124,636</u>	<u>\$ 8,687,129</u>	<u>58,510,580</u>
Less: current portion	(8,386,407)			(8,927,922)
	<u>\$ 58,686,666</u>			<u>\$ 49,582,658</u>

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

7. INTERFUND RECEIVABLES AND PAYABLES

The interfund balances between funds represent cash advanced to pay current obligations.

DUE TO/FROM OTHER FUNDS:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	\$ 1,415,356	General	\$ 1,538,482
Capital Projects	1,200,618	Federal and State Grants	2,076,390
Other Governmental	1,029,120	Other Governmental	30,222
	<u> </u>		<u> </u>
	\$ 3,645,094		\$ 3,645,094

8. OPERATING LEASES

Various copy machines are leased. Approximate future minimum rental commitments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 60,180
2018	60,180
2019	60,180
2020	60,180
Total	<u>\$ 240,720</u>

The total rental expense under these or similar leases was approximately \$114,978 for the year ended June 30, 2016.

9. PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found

at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

9. PENSION PLAN (Continued)

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

i. **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, and 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 benefits results.

ii. **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 on or more of the following contributions are met:

- member was employed by 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.

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

iv. **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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for a police and fire member 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.

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

9. PENSION PLAN (Continued)

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 termination becomes effective.

- ii. **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.
- iii. **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.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA 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. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$904,981, excluding amounts to fund employer specific liabilities. Approximately \$3,186,195 was charged for the year ended June 30, 2016 as PERS benefits expenditures to be used for bond payments as they become due. In addition approximately \$1,628,405 in employee contributions were paid or picked up by the District in fiscal 2016.

Pension Asset or Liability - At June 30, 2016, the District reported a net pension liability of \$10,004,093 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2013, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2013, the District's proportion was .174 percent.

NEWBERG SCHOOL DISTRICT NO. 29J

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

9. PENSION PLAN (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 539,471	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,097,085
Changes in proportionate share	279,810	-
Differences between employer contributions and employer's proportionate share of system contributions	84,579	168,034
Total (prior to post-MD contributions)	<u>903,860</u>	<u>2,265,119</u>
District contributions subsequent to measurement date	<u>904,981</u>	<u>-</u>
Net deferred outflow (inflow) of resources	<u>\$ 1,808,841</u>	<u>\$ 2,265,119</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2017	(829,086)
2018	(829,086)
2019	(829,086)
2020	1,066,794
2021	59,205
Total	<u>\$ (1,361,259)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer 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

NEWBERG SCHOOL DISTRICT NO. 29J

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

9. PENSION PLAN (Continued)

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 accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service. For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

9. PENSION PLAN (Continued)

Actuarial valuations of an ongoing plan involve estimates of 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. The method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2013.

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 the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 24,144,506	\$ 10,004,093	\$ (1,912,560)

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers’ projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

9. PENSION PLAN (Continued)

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. The District makes this contribution on behalf of its employees.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Special Termination Benefit
Plan Description

A single-employer, defined benefit termination benefit program was established under separate collective bargaining agreements and administered for certified and administrative employees who elected early retirement prior to June 30, 2010. Employees who are at least 58 years of age with 15 consecutive years of service or at any age with 30 years of service and who retired before age 62 were eligible for the early retirement benefits. Eligible employees are entitled to a monthly benefit of \$400 commencing on the first month after retirement. Benefits are payable up to the earlier of attaining age 62 or receiving 48 monthly payments. The Plan does not issue stand-alone financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Special Termination Benefit

Funding Policy

Benefits are paid without any cost to employees. There is no requirement to fund the program in advance, but an Early Retirement Pension Trust Fund was established to accumulate assets for future payments. Early Retirement Pension Trust Fund assets are invested in accordance with investment policies.

There was a contribution of \$1,675 to the Pension Trust Fund for the year ended June 30, 2016.

The number of employees eligible for the early retirement benefit is limited. No new participants are allowed into the plan for licensed staff on June 30, 2010 and June 30, 2011 for administrators. Participants must work for 15 years to qualify for the benefit. For the year ended June 30, 2016, there were no employees remaining in the program. Due to the plan being considered immaterial by management an actuarial valuation was not obtained.

Post Employment Health Insurance Subsidy

Plan Description – A single-employer retiree benefit plan is operated that provides postemployment health, dental vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

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

There is no irrevocable trust (or equivalent arrangement) to account for the plan.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Post Employment Health Insurance Subsidy (Continued)

Funding Policy – The benefits from this program are paid by the District and the required contribution is based on projected pay-as-you go financing requirements. Employees may choose from multiple insurance plans and has the option to add a spouse at additional cost.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 525,278	\$ 518,310	\$ 630,714
Interest on net pension obligation	71,686	69,372	62,955
Adjustment to annual required contribution	<u>246,276</u>	<u>238,324</u>	<u>216,281</u>
Annual pension cost (APC)	350,688	349,358	477,388
Contributions made	<u>(281,646)</u>	<u>(283,230)</u>	<u>(294,063)</u>
Increase in net pension obligation	69,042	66,128	183,325
Net Pension Obligation (Asset) at beginning of year	<u>2,048,181</u>	<u>1,982,053</u>	<u>1,798,728</u>
Net Pension Obligation (Asset) at end of year	<u>\$ 2,117,223</u>	<u>\$ 2,048,181</u>	<u>\$ 1,982,053</u>
Percentage of APC contributed	80.31%	81.07%	61.60%

Actuarial Methods and Assumptions - The annual required contribution (ARC) for the current year was determined as part of the July 1, 2013 actuarial valuation using the Projected Unit Credit Cost Method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Interest rate for discounting future liabilities is 3.50% per year, overall payroll growth is 3.00% per year, and the general inflation rate is 2.75% per year.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Post Employment Health Insurance Subsidy (Continued)

Program membership consisted of the following at October 1, 2012:

Active Program Members:

Vested	540
Non-vested	54
Spouses of Ineligible Retirees	<u>1</u>
	<u>595</u>

11. RISK MANAGEMENT

There is exposure 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. Commercial insurance is purchased to minimize exposure to these risks. There were no losses in the past three years that exceeded insurance coverage nor has insurance coverage been reduced.

12. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. The amount, if any, of costs that may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

The District is dependent on the State of Oregon for a substantial portion of its operating funds. Due to funding uncertainties at the State level, future funding for school districts may be affected. The ultimate effect of this possible reduction in funding on future operations is not yet determinable.

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REQUIRED SUPPLEMENTARY INFORMATION

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NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS**

YEAR ENDED JUNE 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Year Ended June 30,</u>	<u>(a) Employer's proportion of the net pension liability (NPL)</u>	<u>(b) Employer's proportionate share of the net pension liability (NPL)</u>	<u>(c) covered payroll</u>	<u>(b/c) NPL as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2016	0.16 %	\$ 10,004,093	\$ 25,226,359	39.7 %	91.9 %
2015	0.16	(3,580,180)	24,424,906	(14.7)	103.6
2014	0.16	8,060,204	24,424,906	33.0	92.0

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

These schedules are 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.

SCHEDULE OF CONTRIBUTIONS

	<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>
2016	\$ 4,080,370	\$ 4,080,370	\$ -	\$ 28,122,605	14.5 %
2015	4,714,645	4,714,645	-	25,226,359	18.7
2014	4,620,425	4,620,425	-	24,424,906	18.9

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

These schedules are 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.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b-a/c)
10/1/2010	\$ -	\$ 5,487,305	\$ 5,487,305	0%	n/a	n/a
10/1/2012	-	3,414,967	3,414,967	0%	n/a	n/a
10/1/2014	-	2,999,657	2,999,657	0%	n/a	n/a

Schedule of Employer Contributions

Year Ended 30-Jun	Annual Required Contribution	Percentage Contributed
2011	\$ 704,811	50%
2012	730,179	52%
2013	477,149	63%
2014	477,388	62%
2015	349,358	81%
2016	350,688	80%

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

GENERAL FUND

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

YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	\$ 15,570,000	\$ 15,570,000	\$ 15,279,690	\$ (290,310)
Intermediate sources	1,725,000	1,725,000	1,746,287	21,287
State sources	29,847,198	29,847,198	30,395,746	548,548
Federal sources	-	-	74,770	74,770
Total revenues	<u>47,142,198</u>	<u>47,142,198</u>	<u>47,496,493</u>	<u>354,295</u>
EXPENDITURES:				
Instruction	29,073,441	30,067,690 (1)	30,044,356	23,334
Support services	18,099,008	18,099,008 (1)	18,082,706	16,302
Enterprise and community services	2,500	2,500 (1)	172	2,328
Debt Service	-	-	11,909	(11,909)
Contingency	994,249	- (1)	-	-
Total expenditures	<u>48,169,198</u>	<u>48,169,198</u>	<u>48,139,143</u>	<u>30,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,027,000)	(1,027,000)	(642,650)	384,350
OTHER FINANCING SOURCES (USES):				
Capital lease proceeds	-	-	55,594	55,594
Transfers out	(3,000)	(3,000) (1)	(1,675)	1,325
Total other financing sources (uses):	<u>(3,000)</u>	<u>(3,000)</u>	<u>53,919</u>	<u>56,919</u>
NET CHANGE IN FUND BALANCE	(1,030,000)	(1,030,000)	(588,731)	441,269
FUND BALANCE, Beginning	<u>1,030,000</u>	<u>1,030,000</u>	<u>1,862,760</u>	<u>832,760</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,274,029</u>	<u>\$ 1,274,029</u>
RECONCILIATION TO GAAP FUND BALANCE AS REQUIRED BY GASB 54				
Special Revenue Fund Ending Fund Balance			(7,986)	
Insurance Fund Ending Fund Balance			(116)	
General Fund Ending Fund Balance			<u>\$ 1,265,927</u>	

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

FEDERAL AND STATE GRANTS FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Intermediate sources	\$ 112,286	\$ 128,292	\$ 16,006
State sources	309,375	106,657	(202,718)
Federal sources	<u>2,645,925</u>	<u>2,281,368</u>	<u>(364,557)</u>
Total revenues	<u>3,067,586</u>	<u>2,516,317</u>	<u>(551,269)</u>
EXPENDITURES:			
Current:			
Instruction	2,099,632 (1)	1,906,098	193,534
Support services	818,876 (1)	545,709	273,167
Enterprise and community services	<u>149,078 (1)</u>	<u>64,510</u>	<u>84,568</u>
Total expenditures	<u>3,067,586</u>	<u>2,516,317</u>	<u>551,269</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

SUPPLEMENTARY INFORMATION

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NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	\$ 8,111,015	\$ 10,066,422	\$ 1,955,407
Federal sources	1,800,000	-	(1,800,000)
Total revenue	<u>9,911,015</u>	<u>10,066,422</u>	<u>155,407</u>
EXPENDITURES:			
Debt service	<u>8,621,550</u>	<u>8,617,488</u>	<u>4,062</u>
Total debt service	<u>8,621,550</u>	<u>(1) 8,617,488</u>	<u>4,062</u>
NET CHANGE IN FUND BALANCE	1,289,465	1,448,934	159,469
FUND BALANCE, Beginning	<u>510,535</u>	<u>408,073</u>	<u>(102,462)</u>
FUND BALANCE, Ending	<u>\$ 1,800,000</u>	<u>\$ 1,857,007</u>	<u>\$ 57,007</u>

(1) Appropriation Level

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NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

CAPITAL PROJECTS FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 9,143</u>	<u>\$ (10,857)</u>
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>9,143</u>	<u>(10,857)</u>
EXPENDITURES:				
Instruction	<u>1,225,000</u>	<u>1,225,000 (1)</u>	<u>370,936</u>	<u>854,064</u>
Support Services	<u>575,000</u>	<u>575,000 (1)</u>	<u>161,478</u>	<u>413,522</u>
Facilities acquisition and construction	<u>10,000</u>	<u>10,000 (1)</u>	<u>2,750</u>	<u>7,250</u>
Total expenditures	<u>1,810,000</u>	<u>1,810,000</u>	<u>535,164</u>	<u>1,274,836</u>
NET CHANGE IN FUND BALANCE	<u>(1,790,000)</u>	<u>(1,790,000)</u>	<u>(526,021)</u>	<u>1,263,979</u>
FUND BALANCE, Beginning	<u>1,790,000</u>	<u>1,790,000</u>	<u>1,726,639</u>	<u>(63,361)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,618</u>	<u>\$ 1,200,618</u>

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2016

	Special Revenue Funds			
	Food Services Fund	Scholarship Fund	Private Donations Fund	Student Body Funds
<u>ASSETS</u>				
Equity in pooled cash and investments	\$ 32	\$ -	\$ -	\$ 540,275
Accounts receivable	134,347	-	110	-
Prepays	-	-	32,652	-
Supply inventory	96,190	-	-	-
Due from other funds	-	150,178	62,751	-
TOTAL ASSETS	\$ 230,569	\$ 150,178	\$ 95,513	\$ 540,275
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Due to other funds	\$ 30,222	\$ -	\$ -	\$ -
TOTAL LIABILITIES	30,222	-	-	-
<u>FUND BALANCES:</u>				
Nonspendable	96,190	-	-	-
Restricted	104,157	150,178	95,513	540,275
TOTAL FUND BALANCES	200,347	150,178	95,513	540,275
TOTAL LIABILITIES AND FUND BALANCES	\$ 230,569	\$ 150,178	\$ 95,513	\$ 540,275

<u>Special Revenue Funds</u>					
	CTE	PERS Bond	Small Scale	Construction	
	Fund	Debt Service	Energy Loan	Excise	Total
		Fund	Debt Service	Tax	
			Fund	Fund	
\$	-	\$ 11,654	\$ -	\$ -	\$ 551,961
	-	-	7,027	92,921	234,405
	-	-	-	-	32,652
	-	-	-	-	96,190
	-	145,613	61,603	608,975	1,029,120
<u>\$</u>	<u>-</u>	<u>\$ 157,267</u>	<u>\$ 68,630</u>	<u>\$ 701,896</u>	<u>\$ 1,944,328</u>
\$	-	\$ -	\$ -	\$ -	\$ 30,222
	-	-	-	-	30,222
	-	-	-	-	96,190
	-	157,267	68,630	701,896	1,817,916
	-	157,267	68,630	701,896	1,914,106
<u>\$</u>	<u>-</u>	<u>\$ 157,267</u>	<u>\$ 68,630</u>	<u>\$ 701,896</u>	<u>\$ 1,944,328</u>

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

**COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

Special Revenue Funds

	Food Services Fund	Scholarship Fund	Private Donations Fund	Student Body Fund
REVENUES:				
Local sources	\$ 552,054	\$ 972	\$ 75,115	\$ 1,086,667
State sources	50,937	-	-	-
Federal sources	1,550,696	-	-	-
Total revenues	<u>2,153,687</u>	<u>972</u>	<u>75,115</u>	<u>1,086,667</u>
EXPENDITURES:				
Instruction	-	-	40,512	1,042,625
Support services	-	-	60,322	-
Enterprise and community services	2,097,709	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>2,097,709</u>	<u>-</u>	<u>100,834</u>	<u>1,042,625</u>
NET CHANGE IN FUND BALANCES	55,978	972	(25,719)	44,042
Change in Inventory Reserve	24,762	-	-	-
FUND BALANCES, Beginning	<u>119,607</u>	<u>149,206</u>	<u>121,232</u>	<u>496,233</u>
FUND BALANCES, Ending	<u>\$ 200,347</u>	<u>\$ 150,178</u>	<u>\$ 95,513</u>	<u>\$ 540,275</u>

CTE Fund	Debt Service Funds		Construction Excise Tax Fund	Total
	PERS Bond Debt Service Fund	Small Scale Energy Loan Debt Service Fund		
\$ -	\$ 3,186,195	\$ 94,097	\$ 348,702	\$ 5,343,802
-	-	-	-	50,937
-	-	-	65,832	1,616,528
-	3,186,195	94,097	414,534	7,011,267
-	-	-	-	1,083,137
-	-	-	80,146	140,468
-	-	-	-	2,097,709
-	3,037,565	84,324	-	3,121,889
-	3,037,565	84,324	80,146	6,443,203
-	148,630	9,773	334,388	568,064
-	-	-	-	24,762
-	8,637	58,857	367,508	1,321,280
\$ -	\$ 157,267	\$ 68,630	\$ 701,896	\$ 1,914,106

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

FOOD SERVICES FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	\$ 649,197	\$ 552,054	\$ (97,143)
State sources	26,238	50,937	24,699
Federal sources	1,368,625	1,550,696	182,071
Total revenues	<u>2,044,060</u>	<u>2,153,687</u>	<u>109,627</u>
EXPENDITURES:			
Enterprise and community services	<u>2,157,922 (1)</u>	<u>2,097,709</u>	<u>60,213</u>
NET CHANGE IN FUND BALANCE	<u>(113,862)</u>	<u>55,978</u>	<u>169,840</u>
FUND BALANCE, Beginning	<u>113,862</u>	<u>48,179</u>	<u>(65,683)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>104,157</u>	<u>\$ 104,157</u>
Reserved for inventory		<u>96,190</u>	
FUND BALANCE, Ending		<u>\$ 200,347</u>	

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SCHOLARSHIP FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	\$ 1,000	\$ 1,000	\$ 972	\$ (28)
EXPENDITURES:				
Instruction	2,500	2,500 (1)	-	2,500
Enterprise and community services	4,500	4,500 (1)	-	4,500
Total expenditures	7,000	7,000	-	7,000
NET CHANGE IN FUND BALANCE	(6,000)	(6,000)	972	6,972
FUND BALANCE, Beginning	126,000	126,000	149,206	23,206
FUND BALANCE, Ending	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 150,178</u>	<u>\$ 30,178</u>

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

PRIVATE DONATIONS FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 200,000</u>	<u>\$ 75,115</u>	<u>\$ (124,885)</u>
EXPENDITURES:			
Instruction	200,000 (1)	40,512	159,488
Support services	65,000 (1)	60,322	4,678
Enterprise and Community Service	<u>15,000 (1)</u>	<u>-</u>	<u>15,000</u>
Total expenditures	<u>280,000</u>	<u>100,834</u>	<u>179,166</u>
NET CHANGE IN FUND BALANCE	<u>(80,000)</u>	<u>(25,719)</u>	<u>54,281</u>
FUND BALANCE, Beginning	<u>80,000</u>	<u>121,232</u>	<u>41,232</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 95,513</u>	<u>\$ 95,513</u>

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

STUDENT BODY FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 1,075,000</u>	<u>\$ 1,086,667</u>	<u>\$ 11,667</u>
EXPENDITURES:			
Instruction	<u>1,415,000 (1)</u>	<u>1,042,625</u>	<u>372,375</u>
Total expenditures	<u>1,415,000</u>	<u>1,042,625</u>	<u>372,375</u>
NET CHANGE IN FUND BALANCE	<u>(340,000)</u>	<u>44,042</u>	<u>384,042</u>
FUND BALANCE, Beginning	<u>340,000</u>	<u>496,233</u>	<u>156,233</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 540,275</u>	<u>\$ 540,275</u>

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

CTE FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
State sources	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ (500,000)</u>
EXPENDITURES:			
Support services	<u>500,000 (1)</u>	<u>-</u>	<u>500,000</u>
Total expenditures	<u>500,000</u>	<u>-</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

PERS BOND DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 2,997,566</u>	<u>\$ 3,186,195</u>	<u>\$ 188,629</u>
EXPENDITURES:			
Debt service	<u>3,037,566</u>	<u>3,037,565</u>	<u>1</u>
Total expenditures	<u>3,037,566 (1)</u>	<u>3,037,565</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	<u>(40,000)</u>	<u>148,630</u>	<u>188,630</u>
FUND BALANCE, Beginning	<u>40,000</u>	<u>8,637</u>	<u>(31,363)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 157,267</u>	<u>\$ 157,267</u>

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SMALL SCALE ENERGY LOAN DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 84,325</u>	<u>\$ 94,097</u>	<u>\$ 9,772</u>
EXPENDITURES:			
Debt Service	<u>84,325 (1)</u>	<u>84,324</u>	<u>1</u>
Total expenditures	<u>84,325</u>	<u>84,324</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>9,773</u>	<u>9,773</u>
FUND BALANCE, Beginning	<u>-</u>	<u>58,857</u>	<u>58,857</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 68,630</u>	<u>\$ 68,630</u>

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

CONSTRUCTION EXCISE TAX FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	\$ 211,500	\$ 348,702	\$ 137,202
Federal sources	-	65,832	65,832
Total revenue	<u>211,500</u>	<u>414,534</u>	<u>203,034</u>
EXPENDITURES:			
Support services	<u>431,500 (1)</u>	<u>80,146</u>	<u>351,354</u>
Total expenditures	<u>431,500</u>	<u>80,146</u>	<u>351,354</u>
NET CHANGE IN FUND BALANCE	<u>(220,000)</u>	<u>334,388</u>	<u>554,388</u>
FUND BALANCE, Beginning	<u>220,000</u>	<u>367,508</u>	<u>147,508</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 701,896</u>	<u>\$ 701,896</u>

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SPECIAL REVENUE FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 26,000</u>	<u>\$ 38,125</u>	<u>\$ 12,125</u>
EXPENDITURES:			
Instruction	37,500 (1)	4,225	33,275
Support services	<u>10,000 (1)</u>	<u>44,245</u>	<u>(34,245)</u>
Total expenditures	<u>47,500</u>	<u>48,470</u>	<u>(970)</u>
NET CHANGE IN FUND BALANCE	(21,500)	(10,345)	11,155
FUND BALANCE, Beginning	<u>21,500</u>	<u>2,359</u>	<u>(19,141)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ (7,986)</u>	<u>\$ (7,986)</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 due to its financing resources being derived primarily from General Fund transfers.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

INSURANCE FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:			
Support services	<u>- (1)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Beginning	<u>-</u>	<u>(116)</u>	<u>(116)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ (116)</u>	<u>\$ (116)</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 due to its financing resources being derived primarily from General Fund transfers.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

EARLY RETIREMENT FUND

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

YEAR ENDED JUNE 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:				
Support services	<u>3,000</u>	<u>3,000 (1)</u>	<u>2,153</u>	<u>847</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,000)</u>	<u>(3,000)</u>	<u>(2,153)</u>	<u>847</u>
OTHER FINANCING SOURCE:				
Transfers in	<u>3,000</u>	<u>3,000</u>	<u>1,675</u>	<u>(1,325)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(478)</u>	<u>(478)</u>
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>478</u>	<u>478</u>
FUND BALANCE, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(1) Appropriation Level

Note: This fund is considered a fiduciary fund in the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED**

YEAR ENDED JUNE 30, 2016

GENERAL FUND

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/15</u>	<u>DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/16</u>
Current:						
2015-16	\$ 14,824,572	\$ 377,867	\$ (116,495)	\$ 8,395	\$ 13,835,881	\$ 502,723
Prior Years:						
2014-15	551,334	4	(28,181)	16,904	259,289	280,766
2013-14	303,139	1	(20,737)	18,961	102,592	198,771
2012-13	202,468	1	(22,984)	20,486	69,380	130,607
2011-12	89,203	-	(10,213)	8,713	24,010	63,692
2010-11 & Prior	155,998	-	(13,943)	7,336	8,476	140,915
Total prior	1,302,142	6	(96,058)	72,400	463,747	814,751
Total general fund	\$ 16,126,714	\$ 377,873	\$ (212,553)	\$ 80,795	\$ 14,299,628	\$ 1,317,474

RECONCILIATION TO REVENUE:

	<u>GENERAL FUND</u>
Cash collections & interest by county treasurer above	\$ 14,299,628
Accrual of receivables:	
June 30, 2015	(79,116)
June 30, 2016	66,806
Adjustments and taxes in Lieu	84,595
Total revenue	\$ 14,371,913

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED**

YEAR ENDED JUNE 30, 2016

DEBT SERVICE FUND

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/15</u>	<u>DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/16</u>
Current:						
2015-16	\$ 10,421,550	\$ 264,473	\$ (90,177)	\$ 6,413	\$ 9,701,005	\$ 372,308
Prior Years:						
2014-15	355,638	-	(19,581)	11,149	167,320	180,680
2013-14	192,383	-	(13,720)	12,371	65,554	125,480
2012-13	129,139	-	(15,357)	13,394	44,023	83,153
2011-12	54,647	-	(6,712)	5,594	14,794	38,736
2010-11 & Prior	126,014	-	(10,647)	6,288	6,821	114,834
Total prior	857,821	-	(66,017)	48,796	298,512	542,883
Total debt service fund	<u>\$ 11,279,371</u>	<u>\$ 264,473</u>	<u>\$ (156,194)</u>	<u>\$ 55,209</u>	<u>\$ 9,999,517</u>	<u>\$ 915,191</u>

RECONCILIATION TO REVENUE:

	<u>DEBT SERVICE FUND</u>
Cash collections & interest by county treasurer above	\$ 9,999,517
Accrual of receivables:	
June 30, 2015	(49,933)
June 30, 2016	48,647
Adjustments and taxes in lieu	<u>35,164</u>
Total revenue	<u>\$ 10,033,395</u>

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

GRANTS:

<u>Federal Grantor, Pass-Through Grantor, Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. DEPARTMENT OF EDUCATION:					
Title I Grants to Local Educational Agencies	State of Oregon Dept of Education	84.010A	32638	\$ 250,552	\$ -
	State of Oregon Dept of Education	84.010A	36029	728,036	-
				<u>978,588</u>	<u>(1) -</u>
Supporting Effective Instruction State Grant	State of Oregon Dept of Education	84.367A	32962	32,305	-
	State of Oregon Dept of Education	84.367A	36226	151,020	-
				<u>183,325</u>	<u>-</u>
Special Education - Grants to States	State of Oregon Dept of Education	84.027A	33333	79,979	-
	State of Oregon Dept of Education	84.027A	36921	727,092	-
	State of Oregon Dept of Education	84.027A	38382	7,957	-
	State of Oregon Dept of Education	84.027A	35780	900	-
	State of Oregon Dept of Education	84.027A	37943	4,077	-
	State of Oregon Dept of Education	84.173A	33501	4,369	-
	State of Oregon Dept of Education	84.173A	37220	4,590	-
	State of Oregon Dept of Education	84.027A	38500	44,890	-
				<u>873,854</u>	<u>(1) -</u>
English Language Acquisition State Grants	State of Oregon Dept of Education	84.365A	32345	792	-
	State of Oregon Dept of Education	84.365A	36344	41,103	-
				<u>41,895</u>	<u>-</u>
Migrant Education - Basic State Grant Program	State of Oregon Dept of Education	84.011A	37721	141,076	-
Migrant Education - Farm Worker Youth Program	State of Oregon Dept of Education	84.011A	35108	93,606	-
Migrant Education - Preschool	State of Oregon Dept of Education	84.011A	37740	12,987	-
				<u>247,669</u>	<u>-</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth		84.013A	38525	29,881	-
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>\$ 2,355,212</u>	<u>\$ -</u>

(1) - Major Program

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

Federal Grantor, Pass-Through Grantor, Program Title	Pass Through Organization	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Child Care and Development Block Grant	State of Oregon Dept of Human Resources	93.575	16-044 / 9793	926	-
Disaster Grants - Public Assistance	State of Oregon Dept of Military	97.036	N/A	65,832	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>66,758</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE:					
Donated Commodities (Non-Cash Assistance)	State of Oregon Dept of Education	10.555	N/A	132,559	-
Child Nutrition Cluster:					
School Breakfast Program	State of Oregon Dept of Education	10.553	N/A	335,690	-
National School Lunch Program	State of Oregon Dept of Education	10.555	N/A	965,051	-
Summer Food Service Program for Children	State of Oregon Dept of Education	10.559	N/A	91,976	-
				<u>1,525,276</u>	<u>-</u>
Fresh Fruit and Vegetable Program	State of Oregon Dept of Education	10.582	36633	3,077	-
Fresh Fruit and Vegetable Program	State of Oregon Dept of Education	10.582	38619	17,424	-
Fresh Fruit and Vegetable Program	State of Oregon Dept of Education	10.582	39929	4,919	-
				<u>25,420</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>1,550,696</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 3,972,666</u>	<u>\$ -</u>

(1) - Major Program

INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS

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November 30, 2016

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Newberg School District No. 29J, Yamhill County, Oregon, as of and for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of 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)**
- **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.**

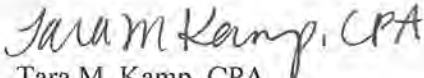
In connection with our testing nothing came to our attention that caused us to believe the Newberg School District No. 29J, Yamhill County, Oregon, was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

1. Expenditures exceeded the budget as noted on page 26.
2. We noted several invoices over \$10,000 where bids/quotes were not obtained by the District.
3. Appropriations on the resolution to adopt the budget to General Fund Transfers did not match the approved budget.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

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


Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C

SINGLE AUDIT SECTION

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November 30, 2016

To the Board of Directors
Newberg School District No. 29J
Yamhill County, Oregon

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newberg School District No. 29J as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Tara M. Kamp, CPA
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November 30, 2016

To the Board of Directors
Newberg School District No. 29J
Yamhill County, Oregon

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

Report on Compliance for Each Major Federal Program

We have audited Newberg School District No. 29J's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2016. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Newberg School District No. 29J complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C

NEWBERG SCHOOL DISTRICT NO. 29J
YAMHILL COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(s) identified that are not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section the Uniform Guidance?

yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

yes no

Significant deficiency(s) identified that are not considered to be material weaknesses?

yes none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

yes no

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER **NAME OF FEDERAL PROGRAM CLUSTER**

84.010 Title I Grants to Local Education Agencies

84.027, 84.173 Special Education – Grants to States

NEWBERG SCHOOL DISTRICT NO. 29J
YAMHILL COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS (CONTINUED)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None Noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None Noted.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has not elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance.