

NEWBERG SCHOOL DISTRICT NO. 29J

NEWBERG, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



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

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

Annual Financial Report

Year Ended June 30, 2017

NEWBERG SCHOOL DISTRICT NO. 29J

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NEWBERG SCHOOL DISTRICT NO. 29J

BOARD OF DIRECTORS

JUNE 30, 2017

<u>Name</u>	<u>Term Expires</u>
Melinda Van Bossuyt	June 30, 2019
Todd Thomas, Chair	June 30, 2017
Ron Mock	June 30, 2017
Brandy Penner	June 30, 2021
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



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 11, 2017

**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, 2017, 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, 2017, and the respective changes in financial position 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 provisions of GASB Statement No. 77 – *Tax Abatement Disclosures* for the year ended June 30, 2017. Our opinion is not modified with respect to these matters.

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 December 11, 2017 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 December 11, 2017, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS



NEWBERG SCHOOL DISTRICT 29J MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017.

Financial Highlights

In the government-wide statements, the assets and deferred outflow of resources of the District exceeded its liabilities and deferred inflows of resources on June 30, 2017 by \$21,705,765. Of this amount, \$55,012,833 represents the District's net investment in capital assets; \$3,771,767 is restricted for debt service and the District's total net position increased by \$1,746,266. Reporting of other post-employment benefits, land acquisition, general obligation bonds and notes payable are reflected in the unrestricted assets of (\$38,895,648).

The District's governmental funds report displays a combined ending fund balance of \$6,071,555 a decrease of \$166,103 when compared to the prior year.

At the end of the fiscal year, the unassigned fund balance for the General Fund was \$338,983 (0.7% of the General Fund Revenues).

Overview of the Financial Statements

The 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. Overtime, 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 the 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 (eg. 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, 2017**

The government-wide financial statements can be found on pages 5 and 6 of this report.

Fund Financial Statements - The fund financial statements provide 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 are Governmental Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike 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 Services 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 fund financial statements are listed on pages 7 and 9 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 11 to 36 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 37 - 58 of this report.

The combining statements, referred to earlier in connection with non-major governmental funds are presented as supplemental information on pages 43 to 46 of this report.

Government-Wide Financial Analysis

The 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, 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,705,765.

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. The remaining assets consist mainly of cash, investments and receivables.

The District's largest liabilities are for the repayment of General Obligation and Pension Bonds (60%) and the Net Pension Liability (36%). The remaining liabilities (4%) consist primarily of payables on account, salaries and benefits, unearned revenue and accrued interest payable.

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

The District's Deferred Inflows of Resources consist of net deferred pension costs of \$865,165 and a gain on the bond refunding of \$119,443.

A portion (\$55,012,833) of the District's Net position reflects its net investment in capital assets (e.g. land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still 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, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position			
	Governmental Activities		Increase (Decrease) from Fiscal 2016
	2017	2016	
Assets			
Current and Other Assets	\$11,182,479	\$11,630,406	(\$447,927)
Prepaid Expenses	65,422	76,146	(10,724)
Capital Assets	78,488,309	80,955,703	(2,467,394)
Total Assets	89,736,210	92,662,255	(2,926,045)
Deferred Outflow of Resources			
Pension related deferral	15,423,802	1,808,841	13,614,961
Total Def. Outflow of Resources	15,423,802	1,808,841	13,614,961
Liabilities			
Current Liabilities	3,317,597	3,586,473	(268,876)
Unearned Revenue	6,428	2,000	4,428
Net Pension Liability	29,584,266	10,004,093	19,580,173
Long-term Debt	49,561,348	58,510,580	(8,949,232)
Total Liabilities	82,469,639	72,103,146	10,366,493
Deferred Inflows of Resources			
Gain on Refunding	119,443	143,332	(23,889)
Net Deferred Pension Asset	865,165	2,265,119	(1,399,954)
Total Def. Inflow of Resources	984,608	2,408,451	(1,423,843)
Net Position			
Net Investment in Capital Assets	55,012,833	49,437,746	5,575,087
Restricted	5,588,580	3,642,271	1,946,309
Unrestricted	(38,895,648)	(33,120,518)	(5,775,130)
Total Net Position	\$21,705,765	\$19,959,499	\$1,746,266

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

During the current fiscal year, the District's net position increased by \$1,746,266. Net investment in capital assets and restricted increased by \$5,575,087 and \$1,946,309 respectively while unrestricted increased by \$5,775,130. The overall increase in Net position is due to; a net increase in pension related activities (including the pension obligation and net deferred inflow and outflows of resources) of \$4,565,258, a reduction in Long Term Debt (\$8,949,232) as related to the annual payment obligations, a reduction in capital assets (\$2,467,394), a reduction in cash and other assets of (\$458,651) and a reduction in other liabilities and inflows of resources of (\$288,337). The unrestricted decrease is primarily due to the \$4.6 million in pension related activities caused by the implementation of GASB 68 and 71.

Governmental Activities -

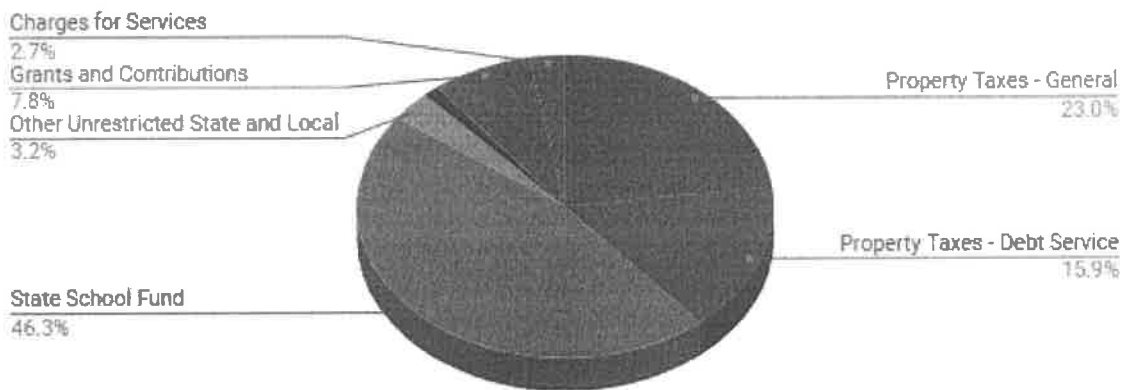
Changes in Net Position			
	Governmental Activities		Increase (Decrease) from Fiscal 2016
	2017	2016	
Revenue			
Program Revenue:			
Charges for Services	\$1,770,685	\$1,749,954	\$20,731
Operating, Grants and Contributions	5,219,338	4,459,145	760,193
Total Program Revenues	6,990,023	6,209,099	780,924
General Revenues			
Property Taxes	25,832,928	24,537,907	1,295,021
State School Fund General Support	30,753,009	29,586,009	1,167,000
Other State and Local Sources	2,160,830	3,665,330	(1,504,500)
Earnings on Investment	751,835	108,913	642,922
Total General Revenues	59,498,602	57,898,159	1,600,443
Total Revenue	66,488,625	64,107,258	2,381,367
Expenses			
Instruction	36,745,778	38,449,627	(1,703,849)
Support Services	22,133,902	21,771,026	362,876
Enterprise and Community Services	2,160,280	2,485,690	(325,410)
Interest on Long Term Debt	3,702,400	3,340,496	361,904
Total Expenses	64,742,359	66,046,839	(1,304,480)
Changes In Net Position	\$1,746,266	(\$1,939,581)	\$3,685,847
Net Position - July 1	\$19,959,499	\$21,899,080	(\$1,939,581)
Net Position - June 30	\$21,705,765	\$19,959,499	\$1,746,266

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

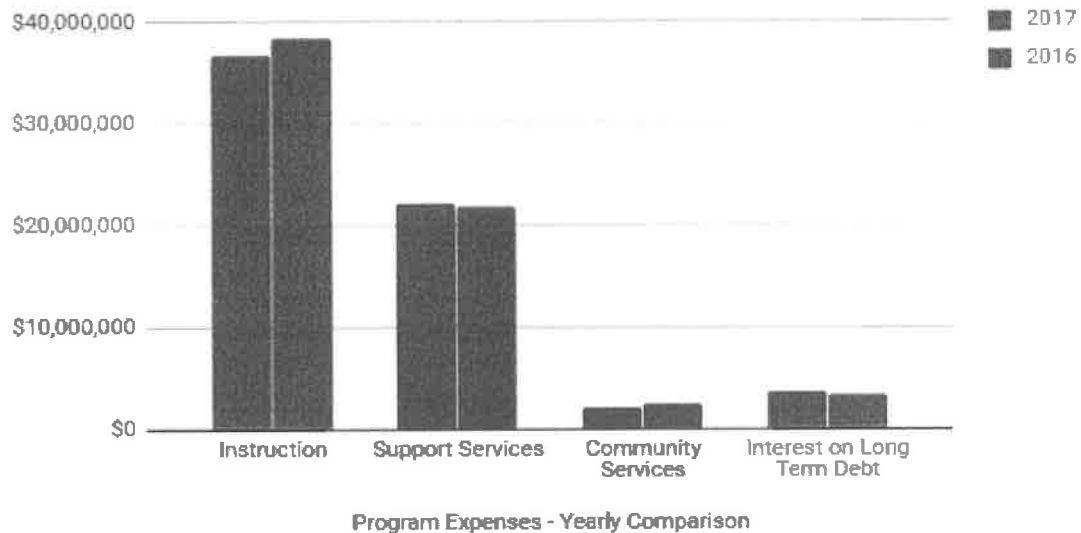
During the current fiscal year, the District's net position showed an increase of \$1,746,266. Key elements of the change in net position for the year ended June 30, 2017, are as follows:

- Total revenues increased by \$2,381,367 or 3.71% over prior year, mainly due to an increase in Property tax revenue of \$1,295,021, state school fund revenue of \$1,167,000, program revenues of \$780,924 and investment earnings of \$642,922, offset by a reduction in other State and local revenue sources of (\$1,504,500).
- Governmental program revenues increased by \$760,193 primarily due to the change in net pension liabilities from 6/30/2016 to 6/30/2017.
- Governmental program expenses decreased by about \$1,304,480. This was primarily due to the change in net pension liability and related from 6/30/2016 to 6/30/2017.

Revenues by Source - Governmental Funds



Program Expenses - Yearly Comparison



**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Financial Analysis of the District's Funds

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

Governmental funds - The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *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, 2017, the District's governmental funds reported combined ending fund balances of \$6,071,555 a decrease of \$166,103 in comparison with the prior year. \$338,983 (5.6%) of which constitutes *unassigned ending fund balance* that is available for spending at the District's discretion. An additional \$3,771,767 (62.1%) of fund balance is specifically identified for debt service obligations, \$852,387 (14.0%) for Construction related activities (Construction Excise Tax and Bond Funds), \$806,582 (13.3%) related to student body funds, donations and scholarships, with the remaining 5% of funds assigned to food services and inventoriable items.

General Fund - The General Fund is the chief operating fund of the District. As of June 30, 2017, the unassigned fund balance was \$338,983. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The fund balance represents .69% of the total General Fund expenditures. The total fund balance decreased by \$863,983 during the current fiscal year as compared to the prior fiscal year 2015-16 with a reduction of \$599,076.

Debt Service Fund - The Debt Service Fund has a total fund balance of \$3,678,109 all of which is for the payment of debt service. The net increase in the fund balance during the current year was \$1,821,102.

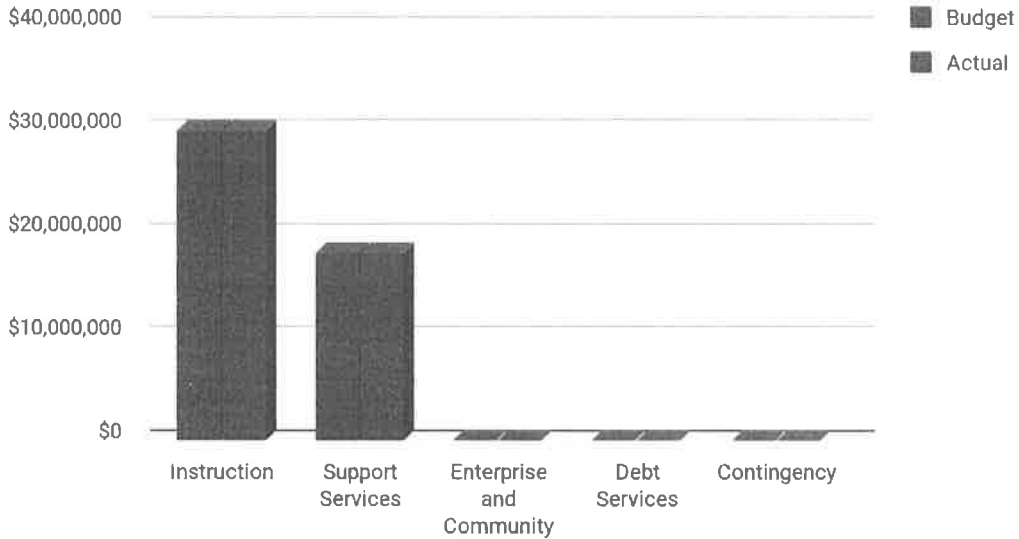
Capital Projects Fund - The Capital projects Fund has a total fund balance of \$11,700 designated for bond-related capital improvement, ongoing capital projects and related service. The fund balance decreased by \$1,188,918 during the current fiscal year due to the ongoing completion of construction projects using bond funds. These funds are anticipated to be fully utilized by June 30, 2018.

Other Governmental Funds - Changes to fund balances in the other governmental funds can be attributed to increases in; Construction Excise Tax Fund \$138,791, Food Services Fund \$38,528, Student Body Fund \$49,738, Small Scale Energy Loan Fund \$2,637 and Scholarship Funds \$1,164. These increases all offset by reductions in the PERS Debt Fund (\$134,876) and Private Donations Fund (\$30,286).

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

General Fund Budgetary Highlights - During the year, as shown in the chart, all General Fund expenditures were within budget except for the Debt Services function level (\$11,909 over budget).

Actual Expenditures to Final Budget 2017



Capital Assets - The District's investment in capital assets includes land, buildings, building improvements and equipment. As of June 30, 2017 the District invested in \$78,488,309 in capital assets net of depreciation. This decreased by \$2,467,394 during the year as shown in the following table:

Capital Assets	Governmental Activities		Increase / (Decrease)
	2017	2016	
Land	\$3,862,820	\$3,862,820	\$0
Improvements	1,223,562	1,223,562	0
Building Improvements	120,624,521	120,624,521	0
Equipment	2,217,777	2,193,177	24,600
Accumulated Depreciation	(49,440,371)	(46,948,377)	(2,491,994)
Total	\$78,488,309	\$80,955,703	(\$2,467,394)

Long Term Debt - At the end of the year, the District's total debt outstanding was \$47,428,580, consisting of general obligation debt, limited tax pension bonds, small scale energy loan and capital lease payments.

During the current fiscal year, the District's total debt decreased by \$8,927,307 as a result of scheduled payments made during the year. Please see note 5, Long Term Debt in the *Notes to the Basic Financial Statements* for further information.

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017, the State School Fund - General Support provided 44% of the total District-sponsored program resources and 63% of the District's general fund resources. This is consistent with the prior year. While the State school fund has increased over the last several years, the district has not fully recovered from the economic downturn in 2009-2013.

The 2017-2018 budget relies on K-12 funding level of \$8.2 billion for the 2017-2019 biennium, a projected average daily membership weighted (ADMw) of approximately 6,116 and a beginning fund balance of \$1,500,000. The enrollment projections were based on the District's historical growth experience rates over the past couple of years and is critical to our revenue projections, as the state bases the District's revenue share on enrollment.

With the District's 2016-2017 ending fund balance rolled forward to 2017-2018 being significantly less than projected and the district seeing a decline in enrollment over the prior year, the District was required to make reductions in the spending levels as budgeted for 2017-2018 at the start of the new school year.

The education of students is labor intensive, as reflected in the allocation of the financial resources of the district. For the 2017-18 budget, salaries and fringe benefits represent approximately 85% of the General Fund operating budget. The expenditures for salaries and fringe benefits are determined by contractual agreements and staffing policies and guidelines of the board, on the basis of projected enrollment, special student needs, and the conditions of employment established by collective bargaining agreements. The budget anticipates an ending fund balance of \$208,019.

The District continues to monitor local, state and federal economic factors and resources along with continual increases in salary and benefits costs (as associated benefit costs are expected to increase again in the next biennium).

To comply with state law and sound business principles, the District must maintain a balanced budget with adequate reserves for economic and operational uncertainties. The commonly cited standard for a District's general fund ending fund balance is 5% of annual operating expenditures. At this time, the District's Finance committee is in the process of establishing an Ending Fund Balance policy and implementation plan to ensure sufficient reserves for the future.

The District's Budget Committee and School Board will consider these factors while preparing the District's budget for the 2018-2019 fiscal year budget.

**NEWBERG SCHOOL DISTRICT 29J
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Requests for Information

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



Dr. Kym Le Blanc-Esparza
Superintendent
Newberg Public Schools



Ilean Clute
Director of Finance
Newberg Public Schools

BASIC FINANCIAL STATEMENTS

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Pooled cash and investments	\$ 5,639,147
Receivables	5,476,462
Prepays	65,422
Supply inventory	66,870
Capital assets:	
Not being depreciated	3,862,820
Being depreciated, net of accumulated depreciation	74,625,489
TOTAL ASSETS	89,736,210
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Pension related deferral	15,423,802
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,423,802
<u>LIABILITIES:</u>	
Accounts payable	344,996
Accrued payroll, payroll taxes and employee withholdings	2,787,894
Accrued interest payable	47,047
Unearned revenue	6,428
Accrued compensated absences payable	137,660
Long-term liabilities:	
Net pension liability	29,584,266
Due within one year	9,401,676
Due in more than one year	40,159,672
TOTAL LIABILITIES	82,469,639
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Gain on refunding	119,443
Net deferred pension asset	865,165
TOTAL DEFERRED INFLOWS OF RESOURCES	984,608
<u>NET POSITION:</u>	
Net investment in capital assets	55,012,833
Restricted for:	
Debt Service	3,771,767
Programs	1,602,705
Scholarships and Donations	214,108
Unrestricted	(38,895,648)
TOTAL NET POSITION	\$ 21,705,765

See notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

<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	\$ 36,745,778	\$ 91,286	\$ 3,381,040	\$ (33,273,452)
Support services	22,133,902	1,124,700	299,004	(20,710,198)
Enterprise and community services	2,160,280	554,699	1,539,294	(66,287)
Long term debt interest	3,702,400	-	-	(3,702,400)
Total	<u>\$ 64,742,359</u>	<u>\$ 1,770,685</u>	<u>\$ 5,219,338</u>	<u>(57,752,336)</u>

GENERAL REVENUES:

Property taxes levied for general purposes	15,292,750
Property taxes levied for debt service	10,540,178
State school fund - general support	30,753,009
Unrestricted state, intermediate, and local sources	2,160,830
Earnings on investments	<u>751,835</u>

Total general revenues 59,498,602

CHANGE IN NET POSITION 1,746,266

NET POSITION, Beginning 19,959,499

NET POSITION, Ending \$ 21,705,765

See notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2017

	<u>General Fund</u>	<u>Federal and State Grants Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>						
Equity in pooled cash	\$ 5,029,423	\$ -	\$ -	\$ -	\$ 609,724	\$ 5,639,147
Receivables:						
Taxes	1,253,752	-	881,736	-	-	2,135,488
Accounts	896,031	-	106,450	-	167,721	1,170,202
Grants	-	2,170,772	-	-	-	2,170,772
Prepays	62,961	-	-	-	2,461	65,422
Due from other funds	-	-	3,532,640	11,700	1,148,008	4,692,348
Supply inventory	-	-	-	-	66,870	66,870
TOTAL ASSETS	<u>\$ 7,242,167</u>	<u>\$ 2,170,772</u>	<u>\$ 4,520,826</u>	<u>\$ 11,700</u>	<u>\$ 1,994,784</u>	<u>\$ 15,940,249</u>
<u>LIABILITIES</u>						
LIABILITIES:						
Accounts payable	\$ 327,241	\$ 2,773	\$ -	\$ -	\$ 14,982	\$ 344,996
Due to other funds and employee withholdings	2,530,777	2,161,571	-	-	-	4,692,348
Unearned revenue	2,787,894	-	-	-	-	2,787,894
	-	6,428	-	-	-	6,428
TOTAL LIABILITIES	<u>5,645,912</u>	<u>2,170,772</u>	<u>-</u>	<u>-</u>	<u>14,982</u>	<u>7,831,666</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Revenue - Taxes	1,194,311	-	842,717	-	-	2,037,028
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,194,311</u>	<u>-</u>	<u>842,717</u>	<u>-</u>	<u>-</u>	<u>2,037,028</u>
FUND BALANCES:						
Nonspendable	62,961	-	-	-	69,331	132,292
Restricted for:						
Debt Service	-	-	3,678,109	-	93,658	3,771,767
Programs	-	-	-	-	1,602,705	1,602,705
Scholarships and Donations	-	-	-	-	214,108	214,108
Assigned for special projects	-	-	-	11,700	-	11,700
Unassigned	338,983	-	-	-	-	338,983
TOTAL FUND BALANCES	<u>401,944</u>	<u>-</u>	<u>3,678,109</u>	<u>11,700</u>	<u>1,979,802</u>	<u>6,071,555</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 7,242,167</u>	<u>\$ 2,170,772</u>	<u>\$ 4,520,826</u>	<u>\$ 11,700</u>	<u>\$ 1,994,784</u>	<u>\$ 15,940,249</u>

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, 2017

FUND BALANCES		\$	6,071,555
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	127,928,680	
Accumulated depreciation		<u>(49,440,371)</u>	78,488,309
The proportionate share of the net pension liability is not reported as an liability in the governmental funds			
			(29,584,266)
The net deferred pension asset is not reported as a deferred inflow in the governmental funds.			
			(865,165)
The pension related deferrals is not reported as a deferred outflow in the governmental funds.			
			15,423,802
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.			
			2,037,028
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		(47,047)	
Accrued compensated absences payable		(137,660)	
Other post employment benefits		(2,132,768)	
Long-term debt		(47,428,580)	
Unamortized gain on refunding		<u>(119,443)</u>	<u>(49,865,498)</u>
TOTAL NET POSITION		\$	<u><u>21,705,765</u></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, 2017

	<u>General</u> <u>Fund</u>	<u>Federal and</u> <u>State Grants</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
REVENUES:						
Local sources	\$ 16,116,299	\$ -	\$ 10,631,301	\$ 15,995	\$ 5,516,967	\$ 32,280,562
Intermediate sources	1,693,854	114,023	-	-	-	1,807,877
State sources	30,780,097	668,595	-	-	51,182	31,499,874
Federal sources	-	2,026,268	548,126	-	1,488,112	4,062,506
Total revenues	<u>48,590,250</u>	<u>2,808,886</u>	<u>11,179,427</u>	<u>15,995</u>	<u>7,056,261</u>	<u>69,650,819</u>
EXPENDITURES:						
Current:						
Instruction	30,557,266	2,051,709	-	424,962	1,322,472	34,356,409
Support services	18,885,008	739,463	-	729,951	340,238	20,694,660
Enterprise and community services	50	17,714	-	-	2,002,045	2,019,809
Facilities acquisition and construction	-	-	-	50,000	-	50,000
Capital Outlay	-	-	-	-	24,600	24,600
Debt service	11,909	-	9,358,325	-	3,271,890	12,642,124
Total expenditures	<u>49,454,233</u>	<u>2,808,886</u>	<u>9,358,325</u>	<u>1,204,913</u>	<u>6,961,245</u>	<u>69,787,602</u>
NET CHANGE IN FUND BALANCES	(863,983)	-	1,821,102	(1,188,918)	95,016	(136,783)
Change in Inventory Reserve	-	-	-	-	(29,320)	(29,320)
FUND BALANCES, Beginning	<u>1,265,927</u>	<u>-</u>	<u>1,857,007</u>	<u>1,200,618</u>	<u>1,914,106</u>	<u>6,237,658</u>
FUND BALANCES, Ending	<u>\$ 401,944</u>	<u>\$ -</u>	<u>\$ 3,678,109</u>	<u>\$ 11,700</u>	<u>\$ 1,979,802</u>	<u>\$ 6,071,555</u>

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, 2017

NET CHANGE IN FUND BALANCES		\$	(136,783)
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:			
Capital additions		\$	24,600
Depreciation			<u>(2,491,994)</u>
			(2,467,394)
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.			
Debt payments, net			8,927,307
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.			
OPEB Liability Change			(15,545)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts amortized in the Statement of Activities:			
Amortization of bond premium, net			37,470
Amortization of gain on refunding			<u>23,889</u>
			61,359
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.			
			(4,565,258)
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.			
			12,417
Some revenues do not meet the measurable and available criteria and are not recognized as revenue in the current year in the governmental funds.			
			(80,184)
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.			
			(29,320)
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.			
			<u>39,667</u>
CHANGE IN NET POSITION		\$	<u><u>1,746,266</u></u>

See notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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.

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. Separate statements for each fund category – governmental – 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, 2017

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.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 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, 2017 except for the following: General Fund – Debt Service by \$11,909 and Debt Service Fund – Debt Service by \$528,750.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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, 2017, the pooled cash and investments are comprised of the following:

Demand Deposits	\$	1,748,298
Local Government Investment Pool		<u>3,890,849</u>
Total	\$	<u>5,639,147</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, 2017

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, 2017. 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	\$ 3,890,849	\$ 3,890,849	\$ -
Total	\$ 3,890,849	\$ 3,890,849	\$ -

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's compliance with all portfolio guidelines can be found in their annual report when issued. 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. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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, 2017, the bank balance was \$2,859,132, of which \$457,251 was fully FDIC insured, and the remaining was collateralized in accordance with Oregon Law.

3. RECEIVABLES

Receivables are comprised of the following:

Property taxes	\$ 2,135,488
Trade and other	<u>3,340,974</u>
	<u>\$ 5,476,462</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, 2017

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 3,862,820	\$ -	\$ -	\$ 3,862,820
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	2,193,177	24,600	-	2,217,777
Total capital assets being depreciated	<u>124,041,260</u>	<u>24,600</u>	<u>-</u>	<u>124,065,860</u>
Less accumulated depreciation for:				
Land Improvements	1,006,631	38,504	-	1,045,135
Buildings and improvements	44,128,582	2,405,411	-	46,533,993
Equipment	1,813,164	48,079	-	1,861,243
Total accumulated depreciation	<u>46,948,377</u>	<u>2,491,994</u>	<u>-</u>	<u>49,440,371</u>
Total capital assets being depreciated, net	<u>77,092,883</u>			<u>74,625,489</u>
Total capital assets, net	<u>\$ 80,955,703</u>			<u>\$ 78,488,309</u>

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

Instruction:	\$ 1,499,526
Support services:	903,238
Enterprise and community services:	89,230
Total	<u>\$ 2,491,994</u>

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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, 2017 long-term debt is comprised of:

Bonds payable	\$	46,656,797
Loans payable		738,454
Capital lease payable		33,329
OPEB Liability		2,132,768
	\$	<u>49,561,348</u>

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

	<u>Outstanding July 1, 2016</u>	<u>Issued</u>	<u>Redeemed and Matured</u>	<u>Outstanding June 30, 2017</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%	\$ 15,135,625	\$ -	\$ 2,661,375	\$ 12,474,250
2005 general obligation refunding bonds; original issue \$35,645,000; interest from 3.00% to 5.35%	15,360,000	-	5,250,000	10,110,000
2003 limited tax pension bonds; original issue \$34,639,019; interest from 5.45% to 5.63%	25,019,262	-	946,715	24,072,547
2013 SELP loan payable; various interest rates; original issue \$1,001,591.	797,315	-	58,861	738,454
2016 Capital lease payable; 3.50% interest rate; original issue \$55,594.	43,685	-	10,356	33,329
	<u>56,355,887</u>	<u>-</u>	<u>8,927,307</u>	<u>47,428,580</u>
Bond premium	37,470	-	37,470	-
OPEB Liability - Insurance	2,117,223	15,545	-	2,132,768
	<u>58,510,580</u>	<u>\$ 15,545</u>	<u>\$ 8,964,777</u>	<u>49,561,348</u>
Less: current portion	<u>(8,927,922)</u>			<u>(9,401,676)</u>
	<u>\$ 49,582,658</u>			<u>\$ 40,159,672</u>

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

5. LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>	<u>General Obligation Bonds</u>	<u>Limited Tax Pension Bonds</u>	<u>Small Scale Energy Loan</u>	<u>Total</u>	<u>Interest</u>
2018	\$ 10,724	\$ 8,387,250	\$ 942,425	\$ 61,277	\$ 9,401,676	\$ 3,572,984
2019	11,105	8,722,000	938,007	63,298	9,734,410	3,625,480
2020	11,500	2,660,000	933,606	65,386	3,670,492	3,079,019
2021	-	2,815,000	927,024	67,543	3,809,567	3,117,144
2022	-	-	923,674	69,772	993,446	3,153,439
2023-2027	-	-	17,167,811	384,939	17,552,750	6,310,139
2027-2031	-	-	2,240,000	26,239	2,266,239	127,387
	<u>\$ 33,329</u>	<u>\$ 22,584,250</u>	<u>\$ 24,072,547</u>	<u>\$ 738,454</u>	<u>\$ 47,428,580</u>	<u>\$ 22,985,592</u>

The outstanding general obligation debt is within its debt limitation specified in Oregon Revised Statutes.

6. 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	\$ 3,532,640	General	\$ 2,530,777
Capital Projects	11,700	Federal and State Grants	2,161,571
Other Governmental	1,148,008		
	<u>\$ 4,692,348</u>		<u>\$ 4,692,348</u>

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

7. 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>
2018	\$ 64,192
2019	64,192
2020	64,192
2021	647
Total	<u>\$ 193,224</u>

The total rental expense under these or similar leases was approximately \$180,307 for the year ended June 30, 2017.

8. 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/Documents/Financial/CAFR/2016-CAFR.pdf>

- 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.

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8. PENSION PLAN (Continued)

- 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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8. PENSION PLAN (Continued)

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, 2014 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, 2017 were approximately \$784,807, excluding amounts to fund employer specific liabilities. Approximately \$3,052,690 was charged for the year ended June 30, 2017 as PERS benefits expenditures to be used for bond payments as they become due. In addition approximately \$1,716,666 in employee contributions were paid or picked up by the District in fiscal 2017.

At June 30, 2017, the District reported a liability of \$29,584,266 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2014, 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 school districts, actuarially determined. At December 31, 2014, the District's proportion was .20 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 978,777	\$ -
Changes in assumptions	6,309,613	-
Net difference between projected and actual earnings on investments	5,844,610	-
Changes in proportionate share	1,444,910	-
Differences between employer contributions and employer's proportionate share of system contributions	61,085	865,165
Total (prior to post-MD contributions)	14,638,995	865,165
Contributions subsequent to the MD	784,807	-
Total	<u>\$ 15,423,802</u>	<u>\$ 865,165</u>

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

NEWBERG SCHOOL DISTRICT NO. 29J

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8. PENSION PLAN (Continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 2,527,159
2018	2,527,159
2019	4,672,607
2020	3,536,881
2021	510,024
Thereafter	-
Total	<u>\$ 13,773,830</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated December 1, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/PERS/Documents/Financial/CAFR/2016-CAFR.pdf>

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 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.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8. PENSION PLAN (Continued)

Actuarial Methods and Assumptions:

Valuation date	December 31, 2014 rolled forward to June 30, 2016 measurement date
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	2.5 percent (reduced from 2.75 percent)
Investment rate of return	7.5 percent (reduced from 7.75 percent)
Projected salary increase	3.5 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 (reduced from 3.5 percent)
Cost of Living Adjustment	Blend of 2.0 percent COLA and graded COLA (1.25/0.15 percent) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males and 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality rate.

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, 2014.

Discount Rate – The discount rate used to measure the total pension liability was 7.5 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.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8. PENSION PLAN (Continued)

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

Long-Term Expected Rate of Return:

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

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
<i>Assumed Inflation</i>		2.75%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

NEWBERG SCHOOL DISTRICT NO. 29J

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8. PENSION PLAN (Continued)

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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease █ (6.50%)	Discount Rate █ (7.50%)	1% Increase █ (8.50%)
District's proportionate share of the net pension liability	\$ 47,768,726	\$ 29,584,266	\$ 14,385,240

Changes Subsequent to the Measurement Date

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

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

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.

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

NEWBERG SCHOOL DISTRICT NO. 29J

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NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8. PENSION PLAN (Continued)

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 that 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.

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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.

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.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

Post Employment Health Insurance Subsidy (Continued)

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>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 460,192	\$ 525,278	\$ 518,310
Interest on net pension obligation	74,103	71,686	69,372
Adjustment to annual required contribution	<u>254,577</u>	<u>246,276</u>	<u>238,324</u>
Annual pension cost (APC)	279,718	350,688	349,358
Contributions made	<u>(264,173)</u>	<u>(281,646)</u>	<u>(283,230)</u>
Increase in net pension obligation	15,545	69,042	66,128
Net Pension Obligation (Asset) at beginning of year	<u>2,117,223</u>	<u>2,048,181</u>	<u>1,982,053</u>
Net Pension Obligation (Asset) at end of year	<u>\$ 2,132,768</u>	<u>\$ 2,117,223</u>	<u>\$ 2,048,181</u>
Percentage of APC contributed	94.44%	80.31%	81.07%

Actuarial Methods and Assumptions - The annual required contribution (ARC) for the current year was determined as part of the October 1, 2016 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.

Program membership consisted of the following at October 1, 2016:

Active Program Members:

Vested	492
Non-vested	45
Spouses of Ineligible Retirees	<u>3</u>
	<u>540</u>

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

10. TAX ABATEMENTS

As of June 30, 2017, the district provides tax abatements through four programs: Property of Certain Museums, Volunteer Fire Departments or Literary, Benevolent, Charitable and Scientific Institutions, Property of Religious Organizations, Burial and Cremation Property, and Not-For-Profit Low Income Rental Housing.

Property of Certain Museums, Volunteer Fire Departments or Literary, Benevolent, Charitable and Scientific Institutions (ORS 307.130):

- The purpose and activities of these organizations or institutions must demonstrate charity for direct public benefit. Generally, volunteers serve to further the goals of the organization. The following property owned or being purchased by art museums, volunteer fire departments, or incorporated literary, benevolent, charitable and scientific institutions shall be exempt from taxation:
 - real or personal property, or proportion thereof, as is actually and exclusively occupied or used in the literary, benevolent, charitable or scientific work carried on by such institutions.
 - Parking lots used for parking or any other use as long as that parking or other use is permitted without charge for no fewer than 355 days during the tax year
 - All real or personal property of a rehabilitation facility or any retail outlet thereof, including inventory.
 - All real and personal property of a retail store dealing exclusively in donated inventory, where the inventory is distributed without cost as part of a welfare program or where the proceeds of the sale of any inventory sold to the general public are used to support a welfare program
 - All real and personal property of a retail store if:
 - (A) The retail store deals primarily and on a regular basis in donated and consigned inventory;
 - (B) The individuals who operate the retail store are all individuals who work as volunteers; and
 - (C) The inventory is either distributed without charge as part of a welfare program, or sold to the general public and the sales proceeds used exclusively to support a welfare program.
 - The real and personal property of an art museum that is used in conjunction with the public display of works of art or used to educate the public about art, but not including any portion of the art museum's real or personal property that is used to sell, or hold out for sale, works of art, reproductions of works of art or other items to be sold to the public.
 - All real and personal property of a volunteer fire department that is used in conjunction with services and activities for providing fire protection to all residents within a fire response area.
 - All real and personal property, including inventory, of a retail store owned by a nonprofit corporation if:

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

10. TAX ABATEMENTS (Continued)

Property of Certain Museums, Volunteer Fire Departments or Literary, Benevolent, Charitable and Scientific Institutions (ORS 307.130) (Continued):

- (A) The retail store deals exclusively in donated inventory; and
- (B) Proceeds of the retail store sales are used to support a not-for-profit housing program whose purpose is to:
 - (i) Acquire property and construct housing for resale to individuals at or below the cost of acquisition and construction; and
 - (ii) Provide loans bearing no interest to individuals purchasing housing through the program.

Property of Religious Organizations (ORS 307.140):

- Property owned or being purchased by religious organizations shall be exempt from taxation:
 - (1) All houses of public worship and other additional buildings and property used solely for administration, education, literary, benevolent, charitable, entertainment and recreational purposes by religious organizations, the lots on which they are situated, and the pews, slips and furniture therein. However, any part of any house of public worship or other additional buildings or property which is kept or used as a store or shop or for any purpose other than those stated in this section shall be assessed and taxed the same as other taxable property.
 - (2) Parking lots used for parking or any other use as long as that parking or other use is permitted without charge for no fewer than 355 days during the tax year.
 - (3) Land and the buildings thereon held or used solely for cemetery or crematory purposes, including any buildings solely used to store machinery or equipment used exclusively for maintenance of such lands.

Burial and Cremation Property (ORS 307.150):

- The following property is exempt from taxation:
 - a) Burial grounds, tombs and rights of burial, and lands and buildings on the land, not exceeding 30 acres, used for the sole purpose of a crematory and burial place to incinerate remains.
 - (b) Lands used or held exclusively for cemetery purposes, not exceeding 600 acres.
 - (c) Burial lots or space for burial of incinerate remains in buildings or grounds used or held exclusively for burial purposes.
 - (d) Buildings on land described in paragraph (a) or (b) of this subsection that are used to store machinery or equipment used exclusively for maintenance of burial grounds.
 - (e) Personal property used exclusively for cemetery or crematory purposes.
 - (2) The statement required under ORS 307.162 (Claiming exemption) shall be filed by the owner of the property described in subsection (1) of this section.
 - (3) Any property exclusively occupied and used as a family burial ground is exempt from ad valorem taxation.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

10. TAX ABATEMENTS (Continued)

Not-for-Profit Low Income Rental Housing (ORS 307.540 to 307.548):

- In 1985, Oregon legislature authorized a property tax exemption for low-income housing held by charitable, nonprofit organizations. The tax exemption is intended to benefit low-income renters by alleviating property tax burden on those agencies that provide this housing opportunity. The qualifying property must be located within the County.

Charitable, nonprofit organizations that provide housing to low-income persons are eligible. Organizations must be certified by the Internal Revenue Service as 501(c)(3) or (4). Organizations must own or have a leasehold interest in the property or participate in a partnership as long as the non-profit organization is responsible for the day-to-day management of the property. Applicants who are leaseholders must have a signed leasehold agreement by the application deadline.

Vacant land intended to be developed as low-income housing is also eligible for the exemption.

The property tax exemption applies only to the tax levy of a governing body that adopts the provisions of ORS 307.540 to 307.548

For the fiscal year ended June 30, 2017, the District abated property taxes totaling \$44,167 under these programs.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Property of Certain Museums, Volunteer Fire Departments or Literary, Benevolent, Charitable and Scientific Institutions	\$ 8,939
Property of Religious Organizations	1,402
Burial and Cremation Property	90
Not-For-Profit Low Income Rental Housing	<u>33,736</u>
Total	<u>\$ 44,167</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.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2017

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>
2017	0.20 %	\$ 29,584,266	\$ 28,122,605	105.2 %	80.5 %
2016	0.17	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>
2017	\$ 784,807	\$ 784,807	\$ -	\$ 28,611,077	2.7 %
2016	904,981	904,981	-	28,122,605	3.2
2015	1,869,367	1,869,367	-	25,226,359	7.4
2014	1,838,786	1,838,786	-	24,424,906	7.5

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, 2017

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)
10/1/2012	\$ -	\$ 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
10/1/2016	-	2,563,484	2,563,484	0%	n/a	n/a

Schedule of Employer Contributions

Year Ended 30-Jun	Annual Required Contribution	Percentage Contributed
2012	\$ 730,179	52%
2013	477,149	63%
2014	477,388	62%
2015	349,358	81%
2016	350,688	80%
2017	460,192	94%

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, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	\$ 16,553,000	\$ 16,553,000	\$ 16,065,437	\$ (487,563)
Intermediate sources	1,725,000	1,725,000	1,693,854	(31,146)
State sources	30,616,669	30,616,669	30,780,097	163,428
Total revenues	48,894,669	48,894,669	48,539,388	(355,281)
EXPENDITURES:				
Instruction	31,095,868	31,095,868 (1)	30,553,988	541,880
Support services	18,280,282	19,023,282 (1)	18,875,075	148,207
Enterprise and community services	2,500	2,500 (1)	50	2,450
Debt Service	-	- (1)	11,909	(11,909)
Contingency	743,019	19 (1)	-	19
Total expenditures	50,121,669	50,121,669	49,441,022	680,647
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,227,000)	(1,227,000)	(901,634)	325,366
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,000)	(3,000) (1)	-	3,000
Total other financing sources (uses):	(3,000)	(3,000)	-	3,000
NET CHANGE IN FUND BALANCE	(1,230,000)	(1,230,000)	(901,634)	328,366
FUND BALANCE, Beginning	1,230,000	1,230,000	1,274,029	44,029
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	\$ 372,395	<u>\$ 372,395</u>

RECONCILIATION TO GAAP FUND BALANCE AS REQUIRED BY GASB 54

Special Revenue Fund Ending Fund Balance	29,549
General Fund Ending Fund Balance	<u>\$ 401,944</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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Intermediate sources	\$ 145,000	\$ 114,023	\$ (30,977)
State sources	600,000	668,595	68,595
Federal sources	<u>2,802,857</u>	<u>2,026,268</u>	<u>(776,589)</u>
Total revenues	<u>3,547,857</u>	<u>2,808,886</u>	<u>(738,971)</u>
EXPENDITURES:			
Current:			
Instruction	2,265,295 (1)	2,051,709	213,586
Support services	1,180,291 (1)	739,463	440,828
Enterprise and community services	<u>102,271 (1)</u>	<u>17,714</u>	<u>84,557</u>
Total expenditures	<u>3,547,857</u>	<u>2,808,886</u>	<u>738,971</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

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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	\$ 8,472,000	\$ 10,631,301	\$ 2,159,301
Federal sources	<u>2,000,000</u>	<u>548,126</u>	<u>(1,451,874)</u>
Total revenue	<u>10,472,000</u>	<u>11,179,427</u>	<u>707,427</u>
EXPENDITURES:			
Debt service	<u>8,829,575</u>	<u>9,358,325</u>	<u>(528,750)</u>
Total debt service	<u>8,829,575</u>	<u>(1) 9,358,325</u>	<u>(528,750)</u>
NET CHANCE IN FUND BALANCE	1,642,425	1,821,102	178,677
FUND BALANCE, Beginning	<u>357,575</u>	<u>1,857,007</u>	<u>1,499,432</u>
FUND BALANCE, Ending	<u>\$ 2,000,000</u>	<u>\$ 3,678,109</u>	<u>\$ 1,678,109</u>

(1) Appropriation Level

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, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	\$ 8,500	\$ 608,500	\$ 15,995	\$ (592,505)
Total revenues	8,500	608,500	15,995	(592,505)
EXPENDITURES:				
Instruction	235,000	425,000 (1)	424,962	38
Support Services	120,000	730,000 (1)	729,951	49
Facilities acquisition and construction	253,500	53,500 (1)	50,000	3,500
Total expenditures	608,500	1,208,500	1,204,913	3,587
NET CHANGE IN FUND BALANCE	(600,000)	(600,000)	(1,188,918)	(588,918)
FUND BALANCE, Beginning	600,000	600,000	1,200,618	600,618
FUND BALANCE, Ending	\$ -	\$ -	\$ 11,700	\$ 11,700

(1) Appropriation Level

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2017

	Special Revenue Funds			
	Food Services Fund	Scholarship Fund	Private Donations Fund	Student Body Funds
<u>ASSETS</u>				
Equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ 590,013
Accounts receivable	121,470	-	11,748	-
Prepays	-	-	2,461	-
Supply inventory	66,870	-	-	-
Due from other funds	62,537	151,342	53,542	-
TOTAL ASSETS	\$ 250,877	\$ 151,342	\$ 67,751	\$ 590,013
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ 12,002	\$ -	\$ 2,524	\$ -
TOTAL LIABILITIES	12,002	-	2,524	-
<u>FUND BALANCES:</u>				
Nonspendable	66,870	-	-	-
Restricted	172,005	151,342	65,227	590,013
TOTAL FUND BALANCES	238,875	151,342	65,227	590,013
TOTAL LIABILITIES AND FUND BALANCES	\$ 250,877	\$ 151,342	\$ 67,751	\$ 590,013

<u>Debt Service Funds</u>			
<u>PERS Bond Debt Service Fund</u>	<u>Small Scale Energy Loan Debt Service Fund</u>	<u>Construction Excise Tax Fund</u>	<u>Total</u>
\$ 19,711	\$ -	\$ -	\$ 609,724
-	-	34,503	167,721
-	-	-	2,461
-	-	-	66,870
<u>2,680</u>	<u>71,267</u>	<u>806,640</u>	<u>1,148,008</u>
<u>\$ 22,391</u>	<u>\$ 71,267</u>	<u>\$ 841,143</u>	<u>\$ 1,994,784</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456</u>	<u>\$ 14,982</u>
<u>-</u>	<u>-</u>	<u>456</u>	<u>14,982</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>66,870</u>
<u>22,391</u>	<u>71,267</u>	<u>840,687</u>	<u>1,912,932</u>
<u>22,391</u>	<u>71,267</u>	<u>840,687</u>	<u>1,979,802</u>
<u>\$ 22,391</u>	<u>\$ 71,267</u>	<u>\$ 841,143</u>	<u>\$ 1,994,784</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, 2017

	<u>Special Revenue Funds</u>			
	<u>Food Services Fund</u>	<u>Scholarship Fund</u>	<u>Private Donations Fund</u>	<u>Student Body Fund</u>
REVENUES:				
Local sources	\$ 554,699	\$ 1,664	\$ 138,051	\$ 1,275,339
State sources	51,182	-	-	-
Federal sources	1,488,112	-	-	-
Total revenues	<u>2,093,993</u>	<u>1,664</u>	<u>138,051</u>	<u>1,275,339</u>
EXPENDITURES:				
Instruction	-	-	96,871	1,225,601
Support services	-	-	71,466	-
Enterprise and community services	2,026,145	500	-	-
Debt service	-	-	-	-
Total expenditures	<u>2,026,145</u>	<u>500</u>	<u>168,337</u>	<u>1,225,601</u>
NET CHANGE IN FUND BALANCES	67,848	1,164	(30,286)	49,738
Change in Inventory Reserve	(29,320)	-	-	-
FUND BALANCES, Beginning	<u>200,347</u>	<u>150,178</u>	<u>95,513</u>	<u>540,275</u>
FUND BALANCES, Ending	<u>\$ 238,875</u>	<u>\$ 151,342</u>	<u>\$ 65,227</u>	<u>\$ 590,013</u>

Debt Service Funds		Construction Excise Tax Fund	Total
PERS Bond Debt Service Fund	Small Scale Energy Loan Debt Service Fund		
\$ 3,052,690	\$ 86,961	\$ 407,563	\$ 5,516,967
-	-	-	51,182
-	-	-	1,488,112
<u>3,052,690</u>	<u>86,961</u>	<u>407,563</u>	<u>7,056,261</u>
-	-	-	1,322,472
-	-	268,772	340,238
-	-	-	2,026,645
<u>3,187,566</u>	<u>84,324</u>	<u>-</u>	<u>3,271,890</u>
<u>3,187,566</u>	<u>84,324</u>	<u>268,772</u>	<u>6,961,245</u>
(134,876)	2,637	138,791	95,016
-	-	-	(29,320)
<u>157,267</u>	<u>68,630</u>	<u>701,896</u>	<u>1,914,106</u>
<u>\$ 22,391</u>	<u>\$ 71,267</u>	<u>\$ 840,687</u>	<u>\$ 1,979,802</u>

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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	\$ 629,169	\$ 554,699	\$ (74,470)
State sources	30,600	51,182	20,582
Federal sources	1,499,525	1,488,112	(11,413)
Total revenues	<u>2,159,294</u>	<u>2,093,993</u>	<u>(65,301)</u>
EXPENDITURES:			
Enterprise and community services	<u>2,199,294 (1)</u>	<u>2,026,145</u>	<u>173,149</u>
NET CHANGE IN FUND BALANCE	(40,000)	67,848	107,848
FUND BALANCE, Beginning	<u>40,000</u>	<u>104,157</u>	<u>64,157</u>
FUND BALANCE, Ending	<u>\$ -</u>	172,005	<u>\$ 172,005</u>
Reserved for inventory		<u>66,870</u>	
FUND BALANCE, Ending		<u>\$ 238,875</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, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	\$ 1,000	\$ 1,000	\$ 1,664	\$ 664
EXPENDITURES:				
Instruction	2,500	2,500 (1)	-	2,500
Enterprise and community services	4,500	4,500 (1)	500	4,000
Total expenditures	7,000	7,000	500	6,500
NET CHANGE IN FUND BALANCE	(6,000)	(6,000)	1,164	7,164
FUND BALANCE, Beginning	126,000	126,000	150,178	24,178
FUND BALANCE, Ending	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 151,342</u>	<u>\$ 31,342</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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 200,000</u>	<u>\$ 138,051</u>	<u>\$ (61,949)</u>
EXPENDITURES:			
Instruction	150,000 (1)	96,871	53,129
Support services	120,000 (1)	71,466	48,534
Enterprise and Community Service	<u>10,000 (1)</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>280,000</u>	<u>168,337</u>	<u>111,663</u>
NET CHANGE IN FUND BALANCE	<u>(80,000)</u>	<u>(30,286)</u>	<u>49,714</u>
FUND BALANCE, Beginning	<u>80,000</u>	<u>95,513</u>	<u>15,513</u>
FUND BALANCE, Ending	<u><u>\$ -</u></u>	<u><u>\$ 65,227</u></u>	<u><u>\$ 65,227</u></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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 1,075,000</u>	<u>\$ 1,275,339</u>	<u>\$ 200,339</u>
EXPENDITURES:			
Instruction	<u>1,415,000 (1)</u>	<u>1,225,601</u>	<u>189,399</u>
Total expenditures	<u>1,415,000</u>	<u>1,225,601</u>	<u>189,399</u>
NET CHANGE IN FUND BALANCE	<u>(340,000)</u>	<u>49,738</u>	<u>389,738</u>
FUND BALANCE, Beginning	<u>340,000</u>	<u>540,275</u>	<u>200,275</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 590,013</u>	<u>\$ 590,013</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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 3,187,566</u>	<u>\$ 3,052,690</u>	<u>\$ (134,876)</u>
EXPENDITURES:			
Debt service	<u>3,187,566</u>	<u>3,187,566</u>	<u>-</u>
Total expenditures	<u>3,187,566 (1)</u>	<u>3,187,566</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(134,876)	(134,876)
FUND BALANCE, Beginning	<u>-</u>	<u>157,267</u>	<u>157,267</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 22,391</u>	<u>\$ 22,391</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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 84,325</u>	<u>\$ 86,961</u>	<u>\$ 2,636</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	-	2,637	2,637
FUND BALANCE, Beginning	<u>-</u>	<u>68,630</u>	<u>68,630</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 71,267</u>	<u>\$ 71,267</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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 351,000</u>	<u>\$ 407,563</u>	<u>\$ 56,563</u>
Total revenue	<u>351,000</u>	<u>407,563</u>	<u>56,563</u>
EXPENDITURES:			
Support services	<u>1,070,000 (1)</u>	<u>268,772</u>	<u>801,228</u>
Total expenditures	<u>1,070,000</u>	<u>268,772</u>	<u>801,228</u>
NET CHANGE IN FUND BALANCE	<u>(719,000)</u>	<u>138,791</u>	<u>857,791</u>
FUND BALANCE, Beginning	<u>719,000</u>	<u>701,896</u>	<u>(17,104)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 840,687</u>	<u>\$ 840,687</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, 2017

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local sources	<u>\$ 26,000</u>	<u>\$ 50,746</u>	<u>\$ 24,746</u>
EXPENDITURES:			
Instruction	32,500 (1)	3,278	29,222
Support services	<u>15,000 (1)</u>	<u>9,933</u>	<u>5,067</u>
Total expenditures	<u>47,500</u>	<u>13,211</u>	<u>34,289</u>
NET CHANGE IN FUND BALANCE	(21,500)	37,535	59,035
FUND BALANCE, Beginning	<u>21,500</u>	<u>(7,986)</u>	<u>(29,486)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 29,549</u>	<u>\$ 29,549</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 revenue.

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, 2017

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

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 revenue.

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

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

YEAR ENDED JUNE 30, 2017

<u>GENERAL FUND</u>						
<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/16</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 6/30/17</u>
Current:						
2016-17	<u>\$ 15,722,325</u>	<u>\$ 402,003</u>	<u>\$ (67,590)</u>	<u>\$ 8,064</u>	<u>\$ 14,779,773</u>	<u>\$ 481,023</u>
Prior Years:						
2015-16	502,723	19	(36,092)	14,892	233,065	248,439
2014-15	280,766	(2)	(26,408)	21,342	111,893	163,809
2013-14	198,771	(2)	(30,233)	25,240	85,314	108,466
2012-13	130,607	-	(31,439)	23,126	55,861	66,433
2011-12 & Prior	<u>204,607</u>	<u>(3)</u>	<u>(17,559)</u>	<u>10,227</u>	<u>11,696</u>	<u>185,582</u>
Total prior	<u>1,317,474</u>	<u>12</u>	<u>(141,731)</u>	<u>94,827</u>	<u>497,829</u>	<u>772,729</u>
Total general fund	<u>\$ 17,039,799</u>	<u>\$ 402,015</u>	<u>\$ (209,321)</u>	<u>\$ 102,891</u>	<u>\$ 15,277,602</u>	<u>\$ 1,253,752</u>

RECONCILIATION TO REVENUE:		<u>GENERAL FUND</u>
Cash collections & interest by county treasurer above		<u>\$ 15,277,602</u>
Accrual of receivables:		
June 30, 2016		(66,806)
June 30, 2017		59,441
Adjustments and taxes in Lieu		<u>102,697</u>
Total revenue		<u>\$ 15,372,934</u>

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

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

YEAR ENDED JUNE 30, 2017

DEBT SERVICE FUND

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/16</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 6/30/17</u>
Current:						
2016-17	<u>\$ 10,829,575</u>	<u>\$ 275,715</u>	<u>\$ (48,864)</u>	<u>\$ 5,817</u>	<u>\$ 10,163,279</u>	<u>\$ 347,533</u>
Prior Years:						
2015-16	372,308	-	(26,881)	10,986	172,568	183,845
2014-15	180,680	-	(17,568)	13,999	73,313	103,798
2013-14	125,480	-	(19,731)	16,203	54,653	67,299
2012-13	83,153	-	(20,908)	15,239	36,628	40,856
2011-12 & Prior	<u>153,570</u>	<u>-</u>	<u>(14,448)</u>	<u>8,374</u>	<u>9,091</u>	<u>138,405</u>
Total prior	<u>915,191</u>	<u>-</u>	<u>(99,536)</u>	<u>64,801</u>	<u>346,253</u>	<u>534,203</u>
Total debt service fund	<u>\$ 11,744,766</u>	<u>\$ 275,715</u>	<u>\$ (148,400)</u>	<u>\$ 70,618</u>	<u>\$ 10,509,532</u>	<u>\$ 881,736</u>

<u>RECONCILIATION TO REVENUE:</u>		<u>DEBT SERVICE FUND</u>
Cash collections & interest by county treasurer above		<u>\$ 10,509,532</u>
Accrual of receivables:		
June 30, 2016		(48,647)
June 30, 2017		39,019
Adjustments and taxes in lieu		<u>40,274</u>
Total revenue		<u>\$ 10,540,178</u>

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

GRANTS:

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 EDUCATION:					
Title I Grants to Local Educational Agencies	State of Oregon Dept of Education	84.010A	36029	\$ 39,458	\$ -
	State of Oregon Dept of Education	84.010A	41113	798,857	-
				<u>838,315</u>	<u>-</u>
Improving Teacher Quality State Grants	State of Oregon Dept of Education	84.367A	36226	3,294	-
	State of Oregon Dept of Education	84.367A	41368	152,550	-
				<u>155,844</u>	<u>-</u>
Special Education - Grants to States	State of Oregon Dept of Education	84.027A	41575	740,714	-
	State of Oregon Dept of Education	84.027A	42706	7,957	-
	State of Oregon Dept of Education	84.027A	41988	900	-
	State of Oregon Dept of Education	84.027A	42887	90	-
	State of Oregon Dept of Education	84.027A	40901	4,257	-
	State of Oregon Dept of Education	84.173	40645	5,762	-
				<u>759,680</u>	<u>-</u>
English Language Acquisition State Grants	State of Oregon Dept of Education	84.365A	41780	40,614	-
Migrant Education - Basic State Grant Program	State of Oregon Dept of Education	84.011A	41222	147,454	-
Migrant Education - Farm Worker Youth Program	State of Oregon Dept of Education	84.011A	40017	68,136	-
Migrant Education - Preschool	State of Oregon Dept of Education	84.011A	41241	9,361	-
				<u>224,951</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>\$ 2,019,404</u>	<u>\$ -</u>

(1) - Major Program

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

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	17-044 / 9793	\$ 6,864	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>6,864</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE:					
Child Nutrition Cluster:					
Food Donation	State of Oregon Dept of Education	10.555	N/A	140,758	-
School Breakfast Program	State of Oregon Dept of Education	10.553	N/A	302,725	-
National School Lunch Program	State of Oregon Dept of Education	10.555	N/A	949,479	-
Summer Food Service Program for Children	State of Oregon Dept of Education	10.559	N/A	<u>68,630</u>	<u>-</u>
				<u>1,461,592</u> (1)	<u>-</u>
Fresh Fruit and Vegetable Program	State of Oregon Dept of Education	10.582	38619	2,824	-
Fresh Fruit and Vegetable Program	State of Oregon Dept of Education	10.582	43007	<u>23,699</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>26,523</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 3,514,383</u>	<u>\$ -</u>

(1) - Major Program

OTHER INFORMATION

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SCHEDULE OF REVENUES BY FUNCTION - ALL FUNDS

	Fund 100	Fund 200	Fund 300	Fund 400
Revenue from Local Sources				
1110 Ad Valorem Taxes Levied by District	\$15,372,935		\$10,540,178	
1130 Construction Excise Tax				\$407,563
1312 Regular Day School Tuition - Other Dist Within State	\$91,286			
1411 Transportation Fees - From Individuals	\$1,000			
1500 Earnings on Investments	\$107,634	\$1,664	\$109,278	\$2,997
1600 Food Service		\$538,477		
1700 Extracurricular Activities	\$90,000	\$1,042,383		
1800 Community Services Activities	\$95,213	\$2,207		
1910 Rentals	\$31,996	\$50,746		
1920 Contributions and Donations From Private Sources		\$249,420		\$12,997
1940 Services Provided Other Local Education Agencies	\$30,134			
1960 Recovery of Prior Years' Expenditure	\$13,075			
1970 Services Provided Other Funds			\$3,034,536	
1990 Miscellaneous	\$232,164	\$135,596	\$86,961	
Total Revenue from Local Sources	\$16,065,437	\$2,020,494	\$13,770,953	\$423,557
Revenue from Intermediate Sources				
2101 County School Funds	\$5,052			
2102 Education Service District Apportionment	\$1,663,601	\$99,000		
2199 Other Intermediate Sources	\$25,201	\$15,023		
Total Revenue from Intermediate Sources	\$1,693,854	\$114,023	\$0	\$0
Revenue from State Sources				
3101 State School Fund - General Support	\$30,106,268			
3102 State School Fund - School Lunch Match		\$19,036		
3103 Common School Fund	\$646,741			
3299 Other Restricted Grants-in-Aid	\$27,088	\$700,741		
Total Revenue from State Sources	\$30,780,097	\$719,777	\$0	\$0
Revenue from Federal Sources				
4500 Restricted Revenue From the Federal Government Through the State		\$3,373,627		
4900 Revenue for/on Behalf of the District		\$140,758	\$548,126	
Total Revenue from Federal Sources	\$0	\$3,514,384	\$548,126	\$0
Revenue from Other Sources				
5400 Resources - Beginning Fund Balance	\$1,274,029	\$882,138	\$2,082,903	\$1,902,514
Total Revenue from Other Sources	\$1,274,029	\$882,138	\$2,082,903	\$1,902,514
Grand Totals	\$49,813,417	\$7,250,816	\$16,401,982	\$2,326,071

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SCHEDULE OF EXPENDITURES BY FUNCTION / OBJECT

Fund: 100

	Totals	Object 100	Object 200	Object 300	Object 400	Object 600
Instruction Expenditures						
1111 Primary, K-3	\$10,744,654	\$7,010,790	\$3,287,244	\$339,488	\$107,131	
1121 Middle/Junior High Programs	\$4,605,998	\$2,952,058	\$1,420,124	\$173,859	\$58,419	\$1,538
1122 Middle/Junior High School Extracurricular	\$14,901	\$11,739	\$3,162			
1131 High School Programs	\$6,133,638	\$3,993,830	\$1,846,211	\$217,973	\$66,217	\$9,407
1132 High School Extracurricular	\$661,807	\$427,797	\$114,245	\$58,531	\$47,401	\$13,833
1210 Programs for the Talented and Gifted	\$3,519				\$3,519	
1220 Restrictive Programs for Students with Disabilities	\$2,104,310	\$1,271,176	\$752,607	\$70,888	\$9,640	
1250 Less Restrictive Programs for Students with Disabilities	\$2,933,284	\$1,846,578	\$1,014,074	\$40,429	\$32,202	
1260 Early Intervention	\$385,035	\$205,967	\$115,003	\$61,904	\$2,161	
1271 Remediation	\$11,447	\$8,810	\$2,636			
1280 Alternative Education	\$1,395,578	\$802,583	\$463,484	\$115,878	\$12,104	\$1,530
1291 English Second Language Programs	\$1,221,939	\$765,278	\$428,684	\$26,354	\$1,623	
1292 Teen Parent Program	\$321,611	\$178,362	\$134,666	\$4,347	\$3,664	\$572
1293 Migrant Education	\$16,268	\$6,586	\$9,599	\$83		
Total Instruction Expenditures	\$30,553,988	\$19,481,553	\$9,591,739	\$1,109,736	\$344,080	\$26,879
Support Services Expenditures						
2110 Attendance and Social Work Services	\$430,895	\$228,821	\$153,154	\$47,282	\$1,637	
2120 Guidance Services	\$1,512,220	\$1,056,250	\$451,117	\$1,994	\$2,858	
2130 Health Services	\$94,434	\$59,749	\$30,761	\$298	\$3,626	
2140 Psychological Services	\$12,802			\$11,051	\$1,751	
2150 Speech Pathology and Audiology Services	\$809,100	\$559,492	\$239,864	\$6,248	\$3,496	
2190 Service Direction, Student Support Services	\$99,584	\$59,418	\$38,135	\$1,867	\$165	
2210 Improvement of Instruction Services	\$562,367	\$416,689	\$134,068	\$973	\$2,472	\$8,165
2220 Educational Media Services	\$462,175	\$246,296	\$175,555	\$5,987	\$34,337	
2230 Assessment & Testing	\$366,360	\$189,686	\$86,320	\$86,872	\$3,483	
2240 Instructional Staff Development	\$649,137	\$244,002	\$210,664	\$179,994	\$2,136	\$12,340
2310 Board of Education Services	\$403,869			\$81,300	\$742	\$321,827
2320 Executive Administration Services	\$483,425	\$307,393	\$137,683	\$18,635	\$7,894	\$11,821
2410 Office of the Principal Services	\$3,478,799	\$2,257,690	\$1,128,286	\$60,807	\$24,261	\$7,755
2520 Fiscal Services	\$529,738	\$341,458	\$133,411	\$8,692	\$4,315	\$41,863
2540 Operation and Maintenance of Plant Services	\$4,563,298	\$1,732,548	\$1,092,966	\$1,469,221	\$265,647	\$2,916
2550 Student Transportation Services	\$2,466,229	\$37,835	\$7,759	\$2,420,635		
2570 Internal Services	\$166,902	\$29,806	\$22,219	\$114,877		
2630 Information Services	\$174,719	\$98,423	\$44,972	\$29,546	\$1,403	\$375
2640 Staff Services	\$572,289	\$334,968	\$143,908	\$72,145	\$6,367	\$14,902
2660 Technology Services	\$1,036,732	\$485,646	\$228,894	\$108,113	\$206,204	\$7,875
Total Support Services Expenditures	\$18,875,075	\$8,686,171	\$4,459,735	\$4,726,537	\$572,794	\$429,839
Enterprise and Community Services Expenditures						
3300 Community Services	\$50				\$50	
Total Enterprise and Community Services Expenditures	\$50	\$0	\$0	\$0	\$50	\$0
Other Uses Expenditures						
5100 Debt Service	\$11,909					\$11,909
Total Other Uses Expenditures	\$11,909	\$0	\$0	\$0	\$0	\$11,909
Grand Total	\$49,441,023	\$28,167,724	\$14,051,474	\$5,836,273	\$916,924	\$468,628

NEWBERG SCHOOL DISTRICT NO. 29J
Newberg, Oregon

SCHEDULE OF EXPENDITURES BY FUNCTION / OBJECT

Fund: 200

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
Instruction Expenditures							
1111 Primary, K-3	\$95,219	\$9,386	\$2,872	\$1,118	\$57,242	\$24,600	
1113 Elementary Extracurricular	\$133,013				\$133,013		
1121 Middle/Junior High Programs	\$7,448	\$2,500	\$668	\$4,280			
1122 Middle/Junior High School Extracurricular	\$163,340				\$163,340		
1131 High School Programs	\$27,235				\$27,235		
1132 High School Extracurricular	\$929,250				\$929,250		
1140 Pre-Kindergarten Programs	\$112			\$112			
1220 Restrictive Programs for Students with Disabilities	\$754,433	\$481,364	\$263,809	\$9,260			
1250 Less Restrictive Programs for Students with Disabilities	\$0						
1260 Early Intervention	\$99,000	\$59,274	\$39,618	\$108			
1272 Title I	\$832,262	\$505,467	\$277,197	\$22,966	\$26,632		
1280 Alternative Education	\$3,007				\$3,007		
1291 English Second Language Programs	\$189,390	\$23,934	\$15,290	\$142,379	\$6,037		\$1,750
1292 Teen Parent Program	\$6,864	\$525	\$61		\$5,848		\$430
1293 Migrant Education	\$136,886	\$85,038	\$35,942	\$14,551	\$316		\$1,040
Total Instruction Expenditures	\$3,377,459	\$1,167,489	\$635,457	\$194,774	\$1,351,920	\$24,600	\$3,220
Support Services Expenditures							
2110 Attendance and Social Work Services	\$86,614	\$47,565	\$35,165	\$3,885			
2130 Health Services	\$492	\$456	\$37				
2230 Assessment & Testing	\$990	\$339	\$117	\$534			
2240 Instructional Staff Development	\$711,553	\$362,849	\$221,741	\$113,123	\$4,115		\$9,725
2520 Fiscal Services	\$6,243						\$6,243
2620 Evaluation Services, Grant Writing and Statistical Services	\$14,972			\$14,545	\$426		
Total Support Services Expenditures	\$820,865	\$411,208	\$257,060	\$132,086	\$4,542	\$0	\$15,968
Enterprise and Community Services							
3100 Food Services	\$2,026,142	\$543,564	\$383,458	\$30,404	\$1,051,064		\$17,651
3300 Community Services	\$18,215	\$11,233	\$5,186	\$821			\$975
Total Enterprise and Community Services Expenditures	\$2,044,357	\$554,798	\$388,644	\$31,225	\$1,051,064	\$0	\$18,626
Grand Total	\$6,242,681	\$2,133,495	\$1,281,161	\$358,085	\$2,407,525	\$24,600	\$37,814

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SCHEDULE OF EXPENDITURES BY FUNCTION / OBJECT

Fund: 300

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Other Uses Expenditures								
5100 Debt Service	\$12,630,215						\$12,630,215	
Total Other Uses Expenditures	\$12,630,215	\$0	\$0	\$0	\$0	\$0	\$12,630,215	\$0
Grand Total	\$12,630,215	\$0	\$0	\$0	\$0	\$0	\$12,630,215	\$0

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

SCHEDULE OF EXPENDITURES BY FUNCTION / OBJECT

Fund: 400

		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures									
1111	Primary, K-3	\$376,194	\$174	\$14		\$376,006			
1121	Middle/Junior High Programs	\$1,447			\$1,447				
1131	High School Programs	\$47,320				\$47,320			
Total Instruction Expenditures		\$424,961	\$174	\$14	\$1,447	\$423,326	\$0	\$0	\$0
Support Services Expenditures									
2240	Instructional Staff Development	\$37,209	\$385	\$150	\$36,674				
2540	Operation and Maintenance of Plant Services	\$200,020			\$148,985	\$51,035			
2660	Technology Services	\$761,495				\$761,495			
Total Support Services Expenditures		\$998,723	\$385	\$150	\$185,659	\$812,529	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures									
4110	Service Area Direction	\$50,000			\$50,000				
Total Facilities Acquisition and Construction Expenditures		\$50,000	\$0	\$0	\$50,000	\$0	\$0	\$0	\$0
Grand Total		\$1,473,684	\$559	\$164	\$237,106	\$1,235,855	\$0	\$0	\$0

NEWBERG SCHOOL DISTRICT NO. 29J

Newberg, Oregon

**SUPPLEMENTAL INFORMATION AS REQUIRED
BY THE OREGON DEPARTMENT OF EDUCATION**

YEAR ENDED JUNE 30, 2017

A	Energy bills for heating - all funds expenditures:		Objects 325 and 326
	Function 2540	\$	756,810
	Function 2550		-
B	Replacement of equipment - General Fund expenditures:		Object 542
	(excludes Functions 1113, 1122, 1132, 1140, 1300, 1400, 2550, 3100, 3300 & 4150)	\$	-

INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS



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December 11, 2017

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, 2017, and have issued our report thereon dated December 11, 2017. 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 17.

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.

A handwritten signature in cursive script that reads "Tara M. Kamp, CPA".

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

SINGLE AUDIT SECTION



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December 11, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 11, 2017.

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
PAULY, ROGERS AND CO., P.C.



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December 11, 2017

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, 2017. 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, 2017.


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, 2017

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**

10.553, 10.555,
10.559 Child Nutrition Cluster

NEWBERG SCHOOL DISTRICT NO. 29J
YAMHILL COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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 due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus are not allowed to use the de minimus rate.